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AMENDING THE SMALL BUSINESS ACT TO PROVIDE FOR THE CONTINUATION OF THE SMALL BUSINESS DEVELOPMENT CENTER PROGRAM

NOVEMBER 11 (legislative day, NOVEMBER 7), 1983.—Ordered to be printed

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Mr. WEICKER, from the Committee on Small Business, submitted the following

REPORT

[To accompany S. 1429]

The Committee on Small Business, to which was referred the bill (S. 1429), to amend the Small Business Act, having considered the same, reports favorably thereon with an amendment in the nature of a substitute and recommends that the bill, as amended, do pass.

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Section I. Need for the Legislation

The Senate Small Business Committee was the initiator of the Small Business Development Center program, and has actively participated in the Congressional funding decisions and in monitoring the program's growth. With small business failures at an all-time high, the Committee believes it is vital that small business entrepreneurs have a resource available to them to assist in meeting their management assistance needs.

From the outset, the Committee has recognized the staffing limitations of the Small Business Administration, and has sought to provide a means for the private sector to deliver these services to small business, under the guidance of the Small Business Administration, and with the funding partnership of the Congress. The Small Business Development Center program, authorized under Public Law 98–302, was designed to accomplish this goal.

Based on the performance of the SBDC program over the past three years, and the Committee's review of the program that has taken place, particularly the oversight hearings that have been held, the Committee believes that the SBDC program should be made permanent. Additional amendments strengthening the program were also made.

Expeditious Congressional consideration of the extension legislation is necessary, however. Of the twenty-seven states in the program, only about half are funded on a Federal fiscal year basis, and only those centers can be assured of being funded on a full twelve-month basis unless this legislation is passed quickly. The Small Business Development Centers and the Small Business Administration have indicated that advance planning is necessary to meet the matching requirements of the law to obtain the approval of the state plan required by the statute, and to design the programs to meet the needs of the small business community.

Section II. Committee Consideration

S. 1429, a bill to amend the Small Business Act to extend and strengthen the Small Businesses Development Center (hereafter re-

ferred to as SBDC) program, was introduced on June 8, 1983, by Senators Lowell Weicker, Jr., and Sam Nunn, and referred to this Committee.

The SBDC program has been in existence since 1976, first as a pilot program developed administratively by the SBA and then as a statutory program, authorized in Public Law 96-302. Simply put, SBDC's provide local management and technical advice and assistance to small business owners, usually through a university system. Centers operate on a state/federal matching basis and use private, public, business and educational resources to provide these services.

The statutory program has a sunset, or expiration, date of October 1, 1984. A introduced, the sole intent of S. 1429 was to remove the two sunset provisions in current law to make the program permanent. However, on the basis of the Committee's consideration and extensive review, the bill was amended to further strengthen the program and clarify Congressional intent. These changes and the rationale behind them are described in detail in Section V of this report.

The Committee held three hearings on the program. On February 8, 1983, prior to introduction of S. 1429, Senator Nunn chaired a hearing in Atlanta, Georgia, to examine the growth and effectiveness of the program in that state. On July 6, 1983, the Committee held a joint hearing with the House Small Business Committee's Subcommittee on SBA and SBIC Authority, Minority Enterprise and General Small Business Problems in Seattle, Washington. Senator Slade Gorton co-chaired the hearing with Congressman Parren Mitchell, Chairman of the House Committee. Finally, on July 19, 1983, a day-long hearing was held by the full Committee in Washington, D.C. Witnesses representing SBDC's, the business and university communities, the Service Corps of Retired Executives (SCORE) and Active Corps of Executives (ACE), and state and federal government officials testified about the program at each of the hearings. In addition, two independent evaluations of the SBDC program, mandated under Public Law 96-302, were reviewed at the final hearing.

While not every witness was satisfied with all aspects of the program's operation, the hearing record demonstrated that overall, the program had been effective and should be made permanent. In the ensuing months, Committee staff worked with the SBA, representatives of the SBDC and the small business community to address some of the concerns highlighted during the hearings.

On November 1, 1983, the full Committee met in executive session to consider S. 1429. With a quorum present, the Committee voted, 18-0, to favorably report the bill with an amendment in the nature of a substitute. The Committee amendment, as reported, is as follows:

> SECTION 1. Section 21 of the Small Business Act is amended—
>
> (1) by striking from paragraph 1 of subsection (a) the phrase "assist in establishing" and inserting in lieu thereof "establish".

(2) by amending paragraph 2 of subsection (a) to read as follows:

"(2) The Administration shall require as a condition to the award of any grant (or amendment or modification thereof) made to an applicant under this section, that a matching amount (excluding any fees collected from recipients of such assistance) equal to the amount of such grant shall be provided by the applicant from sources other than the Federal Government, to be comprised of not less than 50 per centum cash and not more than 50 per centum of indirect costs and in-kind contributions: *Provided,* That this matching amount shall not include any indirect costs of in-kind contributions derived from any Federal program: *Provided further,* That no recipient of funds under this section shall receive a grant which would exceed its pro rata share of a $65,000,000 program based upon the population to be served by the small business development center as compared to the total population in the United States, or $200,000, whichever is greater.".

(3) by striking from paragraph 1 of subsection (b) "During fiscal years 1981, 1982, and 1983, financial" and inserting in lieu thereof "Financial", and by striking "area" and inserting in lieu thereof "state";

(4) by striking from paragraph 2 of subsection (b) "a plan" both times that it appears and inserting in lieu thereof "an application", by striking "plans" both times that it appears and inserting in lieu thereof "applications", and by striking from the second sentence the phrase "or part thereof to be served." and inserting in lieu thereof a period;

(5) by inserting before the period at the end of the first sentence of paragraph 2 of subsection (b) the following: "including information showing that the assistance to be provided will not solely duplicate or replace existing services".

(6) by inserting after the period at the end of the first sentence of paragraph 2 of subsection (c) the following: "The facilities and staff of each small business development center shall be located in such places as to provide maximum accessibility and benefits to the small businesses which the center is intended to serve.";

(7) by amending subparagraph (2)(A) of subsection (c) to read as follows:

"(A) a full-time staff, and a staff director whose sole responsibilities shall be to manage the program activities and provide services to the program;";

(8) by amending subsection (e) to read as follows:

"(e) The National Science Foundation is authorized and directed to cooperate with the Administration in developing and establishing programs to support small business development centers.";

(9) by striking from the second sentence of paragraph 2 of subsection (h) the word "quarterly" and inserting in lieu thereof "semiannually";

(10) by striking from paragraph 1 of subsection (i) "may" and inserting in lieu thereof "shall";

(11) by striking subsection (j) in its entirety and redesignating subsection "(k)" as subsection "(j)".

SEC. 2. Section 7(d)(1) of the Small Business Act is amended to read as follows:

"(d)(1) The Administration shall not fund any small business development center or any variation thereof, except as authorized in section 21 of this Act.".

SEC. 3. Section 20 of the Small Business Act is amended by adding at the end thereof the following:

"(t) There are hereby authorized to be appropriated for fiscal year 1984, $25,000,000, for fiscal year 1985, $30,000,000, for fiscal year 1986, $40,000,000, and for fiscal year 1987, $40,000,000, to be available solely for the purpose of carrying out the provisions and purposes of the small business development center program as provided in section 21.".

SEC. 4. Section 204 of the Small Business Development Center Act of 1980 (Public Law 96–302) is repealed.

Amend the title so as to read:

A bill to amend the Small Business Act to extend and strengthen the Small Business Development Center Program, and for other purposes.

SECTION III. LEGISLATIVE HISTORY

A. ORIGINS OF PROGRAM

In the mid-1970's, the Small Business Administration, recognizing that it lacked personnel and resources, began to look for new ways to improve the delivery of management assistance to small business. Increasing evidence showed that of the approximately 400,000 small business failures each year, over 90 percent could be attributed directly to management weaknesses.

The SBA began exploring the feasibility of establishing a network of centers around the country to deliver free, locally-available assistance to small business owners. These centers were to be modeled after a variety of extension-service type programs.

During 1976 and 1977, the SBA identified, and in April, 1977, it funded, eight universities to operate pilot SBDC's in seven states across the country. This was solely a university-based program, which blended local educational and business resources into a service delivery system. In developing the program, the agency outlined a three-fold objective:

1. to develop the economy of the region around the university by assisting small and medium-sized businesses and industries and fostering the development of new ones;

2. to provide a resource that would enable each participating university to provide more relevant, programmatic education; and

3. to promote substantial and continuous basic and applied research by the faculty, graduate students, and the full-time professionals engaged by the universities to operate the SBDC.

As conceived by the agency, SBDC's were expected to accomplish this objective by providing a framework for cooperatively linking the resource of the universities, federal programs, and the private sector, to strengthen the small business community.

Under this concept, each SBDC would use such resources as the Small Business Institute (SBI), the Service Corps of Retired Executives (SCORE), the Active Corps of Executives (ACE), faculty, students, professional consultants, and local, state, and federal agencies and institutions to provide basic counseling and training services. In addition, SBDC's were to emphasize services to minorities, if appropriate, and provide specialized assistance in such areas as international trade, business law information, and business skills assessment.

In 1977, the agency allocated $350,000 for the first schools in the program. It was understood that these federal funds would cover approximately one-tenth of the centers' total operating costs, with the remaining funds to be obtained by the universities from other sources. In 1978, that amount increased to $900,000, and in 1979, with 16 centers operating, it reached $2.3 million.

The first university to receive the SBDC designation, in December, 1976, was California State Polytechnic University in Pomona. By April, 1977, the following seven schools had been added: California State University, Chico; Rugers—the State University of New Jersey; University of Georgia; University of Missouri-St. Louis; University of Nebraska at Omaha; University of Southern Maine; and University of West Florida.

In fiscal year 1979, still operating on a pilot basis, the program expanded to include the University of Wisconsin and the University of South Carolina. In South Carolina, a consortium consisting of four colleges and universities was organized to serve small businesses in the state. In Wisconsin, 11 schools within the university system were incorporated into the SBDC program. In March, 1979, Howard University in Washington, D.C., received SBDC designation.

Due to the limited federal funding and a lack of clear guidelines by SBA as to how an SBDC would meet its objectives, no fixed criteria were used in selecting the initial 11 participating schools. Although each center submitted a proposal to SBA for the operation of their SBDC, they were selected primarily because they each had some type of existing small business assistance program that could fit easily into SBA's SBDC concept, and because of their access to non-Federal resources. As a result, while the Agency provided some funding and placed overall program authority and responsibility with SBA Assistant District Directors for Management Assistance in each region, the pilot centers varied greatly in their approach and operation:

The centers at West Florida, Chico State and Missouri had significant experience in counseling and training activities before SBDC designation.

The centers at Cal-Poly, Rutgers, and Southern Maine, did not become fully operational as service-rendering SBDC's until the Spring of 1978.

The center at Georgia had a pre-SBDC history of business assistance, but primarily in the area of training.

The center at Nebraska, as a start-up operation in April 1977, relied on SBA funds and had no earlier program except for a Small Business Institute (SBI).

Thus, the SBDC's ranged from those offering services several years before April 1977, to those which did not really begin offering services until April 1978.

A second area where the eight pilot centers varied greatly was in the availability and commitment of financial resources. At one extreme were the centers at Cal-Poly, Nebraska, and Southern Maine, which depended primarily on SBA funds to begin their SBDC programs. At the other extreme were centers at Chico, Rutgers, Georgia, Missouri, and West Florida, which had significant degrees of financial resources to supplement SBA funds for the operation of the SBDC.

The operation of the first eight centers was also affected by the proximity of each SBDC to SBA District Offices. Although it was originally intended that the district offices oversee the programs and provide regular guidance and support, in some cases this was not done because of physical distance.

Two of the centers—Chico State and West Florida—were in rural, sparsely populated areas located 200 and 400 miles away from the SBA District Office, respectively. Conversely, the centers at Rutgers, Missouri, and Nebraska were situated in large cities which were also the sites of SBA District Offices. The remaining three centers—Cal-Poly, Georgia, and Southern Maine—fell between the two extremes. The Cal-Poly and Georgia SBDC's were in small communities near Los Angeles and Atlanta, both of which contained SBA District Offices. The Southern Maine SBDC was located in Portland, a relatively large city, but not the site of a district office.

In allocation of personnel, university affiliations, use of outside resources and development of geographical service areas, the eight centers differed as well. Finally, in terms of delivery of assistance, five centers focused their small business assistance in the areas of counseling, training and special group emphasis: Chico State, Rutgers, Georgia, Missouri, and West Florida. Cal-Poly provided counseling and training, but as of April 1977, had only begun its Special Emphasis Center. Nebraska provided counseling and training, but had no group emphasis facilities. Southern Maine provided both counseling and special group emphasis, but had no training program.

At the end of fiscal year 1979, five more SBDC's were established through a competitive selection process which contained a specific requirement for an equal match of Federal funds. As a result of this solicitation, additional centers were established at the University of Pennsylvania, Philadelphia; St. Cloud University, St. Cloud, Minnesota; University of Arkansas, Little Rock; University of Utah, Salt Lake City; and Washington State University, Pullman. These selections were based on a combination of State readiness

and commitment, location and availability of leveraged and/or matching funds.

Early in the pilot program, SBA divided SBDC's into two categories, according to the services being offered: basic Service SBDC's and full service SBDC's. Basic Service SBDC's were to develop the management and technical skills of small business owners through such activities as providing economic and environmental information, client screening, business skills training, business planning and analysis, and on-site implementation to help the business owner put the newly-learned skills into practice.

Full service SBDC's were to offer all of these, as well as such broader services as: business skills and aptitude analysis; business law clinic; minority entrepreneur development centers; technical centers; international trade development centers; and capital formation centers.

At the same time the SBA was developing its pilot program Congress had begun examining the SBDC concept, and was following a separate path toward establishing the program by statute.

B. S. 972, 95TH CONGRESS

On March 10, 1977, Senator Gaylord Nelson, then-Chairman of the Senate Small Business Committee, introduced S. 972, a bill to establish a Small Business Development Center Act. This legislation modeled its proposal for an SBDC program after the university-based Agriculture Extension Service programs being run by the Department of Agriculture.

In his explanation of the legislation, Senator Nelson stated:

> Although the SBA pilot program is an outstanding start, this Act intends to strengthen and reinforce the test to insure that there will be an opportunity to adequately evaluate this approach of providing small business with quality assistance. S. 972 would authorize grants to cover 75 percent of a center's expenses. It would also expand the test from the eight centers in seven states to a program of centers in 15 states.

Senator Nelson's bill called for a four-year pilot program with federal funding of $8 million in the first year, $18 million in the second, $20 million in the third, and $22 million in the fourth year of operation. The program would then be reviewed and evaluated to determine if continued authorization was warranted.

Four hearings were held on S. 972 in 1977. The bill was refined in Committee and subsequently incorporated as one of several major provisions of H.R. 11445. However, H.R. 11445 was later vetoed because of disputes over unrelated titles contained in that omnibus small business measure.

C. S. 918, 96TH CONGRESS

On April 9, 1979, Senator Nelson reintroduced the Small Business Development Center Act. This legislation (S. 918) was virtually identical to S. 972.

Building on the hearing record of the previous Congress, two additional hearings were held on the SBDC proposal. On May 8, 1979,

almost exactly one month after its introduction, the Small Business Committee again favorably reported the legislation. The following day, it was passed by the Senate, and subsequently agreed to by the House. However, because amendments to the bill made it the vehicle for SBA's overall authorization, it became entangled in conference between the two houses. Following extended negotiations, it was again reported by the Senate Small Business Committee as an original bill (S. 2698) on May 7, 1980. On May 27, 1980, S. 2698 passed the Senate, and on June 3, 1980, it was approved by the House. On July 2, 1980, the Small Business Development Center Act of 1980 was enacted as Title II of P.L. 96-302.

D. P.L. 96-302

Title II of P.L. 96-302, the Small Business Development Center Act, built upon the concept started with SBA's pilot program, and established a statutory framework for the management and continued operation of the centers. In addition, it set up criteria for the application and selection of centers, standard operating procedures for those centers, a fixed funding formula, and reporting and regular evaluation mechanisms.

Specifically, Title II authorized SBA to make grants to any qualifying state government or agency, any regional entity, any state-chartered development, credit or finance corporation, any land grant college or university, any college or school of business, engineering, commerce or agriculture, or any corporation formed by two or more of the above, to provide management, technical and technological assistance to small businesses. In order to participate in the SBDC program, the Act required each applicant to submit a plan to SBA for approval, identifying the participants, the budget for each, the region to be served, the services to be rendered, and how such services would be delivered to each participant, along with any other assurances that SBA subsequently requested.

In defining the types of services to be provided to small businesses, the Act gave a broad mandate that centers "assist small businesses in solving problems concerning operations, manufacturing, engineering, technology exchange and development, personnel administration, marketing, sales, merchandising, finance, accounting, business strategy development, and other matters needed by shall business for growth and expansion, innovation, increased productivity and management improvement and for decreasing industry concentration."

The following specific requirements for technical and management services to be provided by each center were also set forth in the Act:

One-on-one individual counseling to small business clients;

Assistance in technology transfer, research and coupling existing resources with small business concerns;

Maintenance of current information concerning states, Federal and local regulations and counseling to small business owners on methods of compliance. Counseling and technology development when necessary to help small businesses find solutions for complying with environmental, energy, health, safety and other Federal, state and local regulations;

Coordination of research into technical and general small business problems for which no ready solutions are available;

Maintenance of a comprehensive library of current information and data needed by small businesses;

Referral of small businesses to resource people in the financial and legal communities, as well as local and regional private consultants, small business groups and associations; and,

In-depth surveying for small business groups regarding local small business strengths and weaknesses.

The law also mandated that:

Centers have a full-time staff, including a staff director and ready access to other business and professional specialists as needed;

Centers make their services available "as close as possible" to small business by providing extension services and using satellite locations and state and federal programs whenever possible;

Federal funded laboratories provide services and make their facilities available on a reimbursable cost basis, and that National Science Foundation innovation centers and NASA industrial application centers "cooperate" with SBDCs in their activities;

A National SBDC Advisory Board be created with nine members, six of whom must be from small businesses or associations representing small businesses, and no more than three from the academic community; the board is to meet at least quarterly and advise SBA with regard to policies and management of the program;

Each state SBDC be allowed to appoint an advisory board. Each board established is to advise, counsel and confer with the director of the SBDC regarding policies and management of the center; and

An evaluation of the program's effectiveness and impact on small business be performed, either by SBA or a firm retained by SBA, and submitted to the House and Senate Small Business Committees by January 31, 1983.

The funding formula established by the Act provided that SBA may make grants to designated SBDC's to fund 50 percent of the cost of developing and operating a small business development center, provided that not more than 50 percent of the non-Federal portion can be in-kind contributions. The maximum amount of any grant to a single center would be based on a formula whereby each application could receive a pro-rata share of a $65 million program based upon the population to be served by the SBDC, as compared to the total population of the United States. A minimum funding level of $200,000, was also established.

The position of Deputy Associate Administrator for Management Assistance was created within the SBA to administer and oversee the SBDC program, as mandated by the Act. Finally, the law provided for the repeal of the program on October 1, 1984.

In a discussion of the Act in its 1980 Annual Report, the Small Business Committee noted that while the pilot SBDC program operated by SBA in 1977–1979 was "meritorious", the new law was intended to "vastly improve" on that original program by:

> harnessing the multiple resources of academic institutions, volunteer private sector resources, private consulting firms

and other government assistance programs to provide specific, multifaceted counseling to independent business concerns. This legislation . . . is designed to insure that the program does not become an instrument of academic institutions.

E. PROGRAM GROWTH UNDER P.L. 96-302

Enactment of P.L. 96-302 provided a statutory framework for the orderly growth of the SBDC program. One of the main problems with the pilot program had been the lack of direction and uniformity among the centers. The 1980 law sought to establish a program design and required each SBDC to provide a basic level of service delivery.

In 1979, there were 16 centers operating; by 1982, the number had grown to 23 SBDC's operating in 22 states and the District of Columbia. Currently, there are 27 SBDC's, affiliated with more than 100 colleges and universities throughout the U.S. Applications for SBDC status are currently pending at SBA from several of the largest states, and there is every expectation that if the program is extended, within the next five years the program will have expanded to all 50 states.

Following is a breakdown of the 27 SBDC's and their dates of admission to the program, as well as a list of those states with pending SBDC applications. Also attached is a chart illustrating the funding levels of the various programs, as they developed and expanded.

SMALL BUSINESS DEVELOPMENT CENTERS

	Name of State	*University location*
FY 1977	1. Maine	University of Southern Maine, Portland, Me.
FY 1980	2. Massachusetts	University of Mass., Amherst, Mass.
FY 1981	3. Connecticut	University of Conn., Storrs, Conn.
FY 1983	4. Vermont	University of Vermont, Burlington, Vt.
FY 1977	5. New Jersey	Rutgers University, Rutgers, N.J.
FY 1979	6. Pennsylvania	University of Penn., Wharton School, Philadelphia, Pa.
FY 1982	7. West Virginia	University of Charleston, Charleston, W. Va.
FY 1977	8. District of Columbia	Howard University, Washington, D.C.
FY 1982	9. Delaware	University of Delaware, Newark, Del.
FY 1977	10. Georgia	University of Georgia at Athens, Athens, Ga.
FY 1977	11. Florida	University of West Florida, Pensacola, Fla.
FY 1979	12. South Carolina	University of South Carolina, Columbia, S.C.
FY 1980	13. Alabama	University of Alabama at Birmingham, Birmingham, Ala.
FY 1981	14. Mississippi	University of Mississippi, Jackson, Miss.
FY 1981	15. Kentucky	University of Kentucky, Lexington, Ky.
FY 1979	16. Wisconsin	University of Wisconsin, Madison, Wis.
FY 1979	17. Minnesota	College of St. Thomas, St. Paul, Minn.
FY 1983	18. Michigan	Wayne State University, Detroit, Mich.
FY 1979	19. Arkansas	University of Arkansas at Little Rock, Little Rock, Ark.
FY 1983	20. Louisiana	Northeast Louisiana State University, Monroe, La.

SMALL BUSINESS DEVELOPMENT CENTERS—CONTINUED

	Name of State	*University location*
FY 1977	21. Missoiuri	St. Louis University, St. Louis, Mo.
FY 1977	22. Nebraska	University of Nebraska at Omaha, Omaha, Neb.
FY 1981	23. Iowa	Iowa State University, Ames, Iowa.
FY 1979	24. Utah	Utah State University, Salt Lake City, Utah.
FY 1979	25. Washington	Washington State University, Pullman, Wash.
FY 1983	26. Rhode Island	Bryant College, Smithfield, R.I.
FY 1983	27. Kansas	Wichita State University, Wichita, Kans.

States with applications pending

Texas—University of Texas At Arlington (One of four in Texas).
New Hampshire—University of New Hampshire.
Illinois—Department of Commerce and Community Affairs.
Oklahoma—Southeastern Oklahoma University.

States currently preparing applications

New York, California, Puerto Rico, North Carolina, Nevada, Oregon, Virginia, Tennessee, South Dakota.

SBDC FEDERAL FUNDING BY FISCAL YEAR BY STATE

SBDC	1977	1978	1979	1980	1981	1982	1983	1984
Maine	40,000	10,000	16,500	337,500	271,400	310,180	322,400	
Massachusetts				210,000	411,000	627,500	796,424	
Rhode Island							216,648	
Connecticut					213,500	349,950	464,936	
Vermont						75,000	150,000	
New Jersey	70,000	170,000	300,000	349,500	524,100	231,426	291,500	
Pennsylvania			150,000	24,700	856,054	1,424,185	1,962,786	
West Virginia						330,626	329,467	
District of Columbia	40,000	120,000	135,000	337,500	265,350	293,629	421,521	
Delaware						121,230	132,979	
Georgia	40,000	130,000	290,250	349,500	716,700	985,953	1,270,673	
Florida	40,000	80,000	154,750	357,500	1,083,583	1,309,434	1,645,090	
South Carolina			40,000	337,500	329,675	427,500	358,446	
Alabama				257,500	424,520	605,500	786,945	
Mississippi					234,525	469,875	610,837	
Kentucky					224,900	437,875	539,237	
Wisconsin			40,000	349,500	583,600	1,031,445	1,324,750	
Minnesota			150,000	24,700	350,675	351,372	464,031	
Michigan							42,500	
Arkansas			113,359	24,700	290,650	390,650	474,680	
Louisiana							313,275	
Missouri	40,000	130,000	290,000	300,000		216,500	491,450	
Nebraska	40,000	110,000	250,000	337,500	357,875	384,425	469,195	
Iowa					237,825	372,825	848,672	
Kansas								[1] 256,130
Utah			150,000	24,700	272,675	257,783	245,873	
Cal-Poly	40,000	90,000	142,500	142,500				
Chico	40,000	90,000	157,500	157,500				
Washington			150,000	24,700	420,775	551,841	624,030	
Total	390,000	1,020,000	2,678,359	3,947,000	8,069,382	11,556,704	15,434,325	

[1] As of Nov. 1, 1984, only Kansas has received funds obligated in fiscal year 1984.

It was never the congressional intent that all SBDC's would operate in the same way, or place the same amount of emphasis on any one area of counseling and training. An integral part of the legislation has always been the flexibility given to each center to tailor its assistance and service activities to the actual needs of the clients in that region.

Since 1979, the agency and the Committee have witnessed tremendous—and often very diverse—growth among the SBDC's, reflecting the diversity of the various service areas.

For example, in Massachusetts, a Capital Formation Service (CFS) has been established to provide in-depth counseling services on non-conventional financing to the many fast-developing firms in the state. The highly specialized CFS counselors assist clients in determining the feasibility of a financial package, preparing the financial package, selecting prospective funding sources, participating in financial negotiation process, and providing technical assistance to the business once the funds are secure.

In Alabama and Georgia, International Trade Centers (ITCs) have been set up to help clients with the financial, marketing, production, organization, engineering, and technical and legal complexities of exporting their products to foreign countries. The result has been a substantial increase in exporting activities in both of those regions.

In Pennsylvania, a cooperative relationship between the SBDC and the Pennsylvania Technical Assistance Program (PENNTAP) has been established to help small business clients find solutions to technical problems they may encounter. When an SBDC consultant has a client anywhere in the state with a particular technical question which the local person is unable to answer, a PENNTAP technical specialist is available to analyze the problem, develop solutions, and assist the small concern in implementing the recommendations.

In Washington State, an Innovation Assessment Center operated by the SBDC will, for a minimal fee, conduct an in-depth marketing, engineering, and financial feasibility analysis on new products for small business clients. When an evaluation demonstrates that a product has high potential, the client is either referred to a private consultant or to the SBDC for follow-up assistance.

Finally, in Florida, the SBDC, in an effort to help small businesses get a larger share of government and private industry contracts, has developed the INFO-BID system to match contracting opportunities with qualified small business contractors.

There have been changes in SBA management of the program, as well. In 1982, responsibility for administration of the SBDC program was placed in the new position of Deputy Associate Administrator for Management Assistance, as mandated by the law. Prior to this action, the person charged with directing the SBDC program also had the responsibility for several other management assistance programs at SBA.

A National Small Business Development Center Advisory Board was established. Comprised of three members of the academic community and six small business representatives, the board was appointed in 1982 and has met a total of three times. As provided for

in the law, this board has been providing advice and counsel to the agency on SBDC operations.

A close working relationship between SBA and SBDC directors has evolved to improve communications and cooperation, and to insure that the needs of the centers, their clients and the agency are met.

Perhaps the most important development at the agency has been the decentralization of the program. Until early 1983, the SBA's central office was responsible for the entire management of the program. Recognizing that involvement at the local and regional level was critical to individual program growth, SBA shifted responsibility for day-to-day oversight of the SBDC's to its district offices. Although overall program responsibility remains with the Associate Administrator in Washington, the agency believes that this new relationship between SBDC directors and SBA officials in their local area will result in more effective targeting of service and better delivery of SBA resources to small business clients.

Section IV. Committee Review

In 1983, the Small Busines Committee began an intensive review of the SBDC program's performance. The Committee was particularly interested in the effectiveness of various SBDC's in addressing the problems of small businesses in their regions, and in assessing their overall impact on small business. Committee Members remained committed to the program as a unique management assistance delivery system for small business, and had received reports in support of the program from citizens and business groups from around the country. However, the Committee was also aware that concerns had been expressed about the program from various sectors, and the Committee's review was planned to assess the extent of these problems.

In order to provide a focal point for the deliberations, on June 8, 1983, Senators Weicker and Nunn introduced S. 1429, to repeal the sunset provisions in current law and to make the program permanent.

A. PRIVATE SECTOR SUPPORT

Throughout the year-long review of the program, the Committee received numerous letters from state and local officials, and private businesses and organizations in support of the program.

The Committee was particularly impressed by the strong showing of support from chambers of commerce around the country. The Committee believes this is particularly significant since, initially, many feared the SBDC program would have a negative impact on local chambers by competing directly with them in the delivery of services to small business clients. The following comments are typical of those received from chamber groups:

From the Miami-Dade Chamber of Commerce:

> Our clients have been very satisfied with the help they have received from the SBDC. The Center's work has helped to increase the possiblility of success for new and existing small businesses. Business community leaders in

the area consider the SBDC an important element in the drive to develop the area economically and improve the economic life of small business in Dade County.

From the Manatee Chamber of Commerce, Bradenton, Florida:

> We find this to be an outstanding program in the Manatee County area. Today, the small business person is faced with extreme competition and very few business persons are trained in all the areas necessary to help one succeed. The SBDC offers confidential and professional counseling at no charge to clients. They give of their knowledge, expertise, and first-hand experience of what it takes to operate a successful small business.

From the President of the Greater Columbia Chamber of Commerce in Columbia, South Carolina:

> It is my opinion that the SBDC's have done more for small business in our state than any other organization outside the Chambers.

And, from the Chamber of Commerce of Greater Kansas City:

> The Kansas City SBDC has done an excellent job of fitting into the already existing economic support structure, and filled a void. I'm sure that few programs can claim such a success in such a short period of time.

B. HEARINGS

As stated earlier in this report, three hearings were held in 1983 to review the effectiveness of the SBDC program. The Committee looked first at the Georgia SBDC program, one of the original eight centers started under the pilot program, and thus one of the oldest in the country. Next, the Committee studied the Washington State program, designated as an SBDC while the program was still in its pilot stages, but after entrance criteria and matching funding requirements had been established. Finally, a day-long hearing in Washington, D.C. was held. This hearing focused on all aspects of the program, and examined its successes and flaws. A summary of each hearing follows.

1. Atlanta, Georgia Hearing, February 8, 1983

Testimony received at the Georgia hearing was unanimously supportive of the SBDC program. Since its start in 1977, the Georgia program has expanded from its base at the University of Georgia in Athens to a network of 11 centers, located throughout the state. In 1982, more than 4,000 businesses received assistance from the centers.

Witnesses at the hearing included representatives of the SBA regional and district offices, the University of Georgia and the Georgia SBDC, and the small business community.

In setting the stage for the hearing, Senator Nunn posed several questions to the witnesses:

Is the SBDC program providing management assistance that would not otherwise be available? Is the program a cost-effective

way of providing this assistance? Has there been a sufficient test of the program?

Responding to the question of cost-effectiveness, Dr. William C. Flewellen Jr., University Professor of Business and Industrial Development at the University of Georgia, discussed the results of a survey conducted by the Georgia SBDC of the 700 firms it counseled during 1980–1981. He noted that:

> Our analysis showed that sales of those firms in the year after counseling increased 25 percent on the average, compared to a 4 percent increase in this period of recession for all businesses in Georgia. This means an increase of sales of $188 million over and above the 4 percent they might have gotten if they were just included in all Georgia business. The number of employees increased 9 percent, compared to 1.1 percent for all Georgia business. This meant an increase of 25,000 employees for all Georgia businesses.

According to Dr. Flewellen, for a state investment in the SBDC of $560,000 and a Federal investment of $450,000 for this period, the businesses counseled by the SBDC produced an additional $6.6 million in state and local revenues, and an additional $3.3 million in Federal revenues.

The Georgia SBDC program also has placed a great deal of emphasis and focus on minority business development within the state. According to Le-Quita Booth, Associate Director for special programs at the Georgia SBDC, the result of these intensive activities has been that women and/or minorities represent over 40 percent of the participants in continuing education programs offered by the centers, and that 23 percent of the total clients counseled are minorities.

Solomon W. Walker II, Chief Executive Officer of the Pilgrim Health and Life Insurance Company and Vice-Chairman of the Georgia SBDC Board of Directors, attested to the impact of Georgia SBDC programs on the minority community, particularly among black students:

> Approximately 65 percent of all students who graduate from a public high school during this decade will either own, manage or be employed in a small business; yet less than one percent of this group will acquire skills in any business areas.
>
> If this situation is to show marked and continued improvements, there must be a commitment to investing in continuing education and counseling for owners, managers and employees of small firms. I can think of no current effort which has had the impact on small or minority enterprise in this regard than the SBDC of Georgia has had.

Ms. Booth told the Committee that the SBDC's International Trade Development Center's activities in direct export counseling, special export awareness programs, and international market research, had resulted in increased export sales by ITDC-assisted firms of more than $20 million in 1982 alone.

In both minority business development and export promotion, Dr. Flewellen said: "We are bringing to bear the resources of the

university system on the problems of small business. We bring students into the picture. We bring volunteers of the business community into the picture. We are using the resources of the universities to enable us to put more Federal dollars actually out into the action programs."

Dr. Flewellen emphasized the Georgia program's close ties with the private business community, and told the Committee that competition with the private sector has not been a problem for the SBDC. That view was reinforced by Glenn West, Executive Vice President of the Macon County Chamber of Commerce, who said that, far from competing with his organization, the SBDC has actually strengthened the Chamber.

> I think the fact that our organization has been a part, and is in the eyes fo the community an integral part of the organization of the SBDC, frankly, has helped small businesses in our community to understand that our chamber is not only big business, but interested in all businesses of the community.

West called the SBDC program "an excellent illustration of the synergism that can come out of the public-private cooperation and partnership we have all been talking about."

On the same point of competition with the private sector, Melba Williams, president of an Athens small business management consulting firm, said that while it would appear her firm would be in direct competition with the SBDC, this has not been the case. "Private sector businesses are not hurt; quite the contrary, I feel the services and counseling given by the SBDC's actually tend to create more work for the private sector," she said.

Williams pointed out that SBDC's are not set up to provide the kind of long-term assistance that her firm offers. In fact, she said, by giving initial counseling and short-term assistance to "small, floundering" firms, SBDC's frequently educate those firms about the need for professional management assistance. Most importantly, she said, the centers bring those firms to the point where they are financially able to afford the services of businesses such as hers.

Larry Massey, the head of a third-generation, family-owned wholesale business in Dawson, Georgia, agreed that for businesses in their early stages of development, the SBDC provides an attractive alternative to the traditional forms of advice and assistance:

> It is very difficult for a small business owner to sit down with his banker and say: I don't think my business is going to make it. I need help. It is very difficult to pay a CPA or consultant the $50 to $75 per hour fees when your biggest problems are cash flow and profitability.

Finally, Clarence Barnes, SBA's District Director in Atlanta, had this to say:

> I feel there is room for all of us in this business of counseling and training, whether it be a big-eight firm, SBA, SBDC, trade associations or whatever. The needs of our small businesses are there.

2. Seattle, Washington Hearing, July 6, 1983

The Washington State SBDC program had its roots in a small business assistance program started by the state university in 1976. In October, 1979, Washington State University received official SBDC designation from SBA and began operating under the then-pilot program. In their first year of operation, the center, based in Pullman, had no full-time employees and served only 23 small business clients. Currently, the SBDC employs 15 full-time staff and serves clients seeking assistance in seven locations throughout the state. In 1982, it served almost 2,000 persons.

Testimony at the joint Small Business Committee hearing was received from state officials, representatives of Washington State University and the SBDC, community and business leaders, and small business owners who had used the services of the program.

SBDC Director Ed Owens cited the following statistics to give the Committee an idea of the program's operation since 1976:

The SBDC has served 5,717 clients, 77 percent of whom have sales of less than $500,000;

Approximately 7,700 persons have participated in training activities of the centers, including seminars and teaching programs on accounting, finance, general management, and marketing; and

In 1981 and 1982, 2,700 man-hours were donated by the private sector for client counseling and assistance. Nearly 50 percent of all training activities was performed by the private sector.

In terms of job creation and revenue generation, Mr. Owens testified that 577 new jobs were created in 1982 alone through SBDC-assisted expansion of small firms. Between 1976 and 1982, 5,984 jobs were created or retained due to SBDC activities. Based on figures from the state Department of Revenue, he said, the SBDC had contributed $134.4 million in personal income to state residents over the six-and-a-half years of their existence. In addition, he noted that:

> $9.2 million in state general revenues have been generated. Other job-related activities have produced $4.7 million in other state and local taxes. The total estimated tax impact as a result of SBDC activities in Washington state as of the end of 1982, is slightly over $13.9 million. That is a ratio of 9.8 to 1, for every state dollar we have expended. Total governmental expenditures have been $2.9 million over the same period, federal and state combined.

Rom Markin, Dean of the School of Business and Economics at Washington State, emphasized the university's commitment to the program and characterized it as "unswerving". He pointed out that despite cuts in state funds allocated to the university, the school nonetheless "has committed nearly a quarter of a million dollars to advance the efforts of the SBDC" in 1983–1984.

While witnesses from the university, the SBDC and the SBA expressed enthusiastic support for the program, all acknowledged that there had been problems in its operation in the past. These included lack of cooperation and communication between the agency and the SBDC, and friction between the SBDC and SCORE.

SBA District Director Steve Hall admitted that, in the past, "we have not sufficiently supported SBDC with our share of in-depth counseling case referrals," but pledged that "teamwork and cooperation will be noticeably strengthened as we proceed with our new Business Development and Assistance Program." Hall said that new initiative "calls for SBA's active contribution to the process of planning and shaping Washington State business development," to more closely coordinate SBA's national priorities with the state's needs.

Hall suggested that quarterly planning meetings between SBA and the SBDC be initiated, and that his office be included as a representative on the state SBDC Advisory Board. "This participation will not only recognize our full support of SBDC, but will also help us to appreciate divergent views on policy direction that must be reconciled by SBDC," he said.

While past problems between SBA and the SBDC had largely been resolved, both SBDC and SCORE officials said that work remained to be done on ironing out the differences between their two organizations.

SBDC Director Owens expressed strong support for the SCORE program, calling it "crucial to the organizational objectives of the SBDC." He told the Committee that a memorandum of agreement had been drawn up "to foster and create an environment for creative effort between the two entities," and said that progress under this agreement, while slow, was being made.

C. R. McCabe, Vice-Chairman of the SCORE chapter in the Seattle district, argued that further changes needed to be made, however, to eliminate the problem of duplication of services between the two organizations:

> We need firm direction in clarifying which functions can best be done by SCORE, and which can best be done by the SBDC as well as any other resources leveraged by SBA. Until this is done, we will continue to waste precious resources and continue to confuse recipients of our like services offered.

McCabe pointed out that SCORE has 405 chapters nationwide and in 1982, counseled 128,613 businesses or potential entrepreneurs. He suggested that SBDC and SBA take steps to concentrate SBDC activities in areas other than those already served by SCORE.

Congressman Mitchell buttressed the concerns raised by Mr. McCabe in a summary statement to the SBA, SBDC and SCORE panel:

> My basic question is, do you really need five entities doing the same thing—ACE, SCORE, SBDC, SBI and your own management people within SBA. I really am concerned about that. Because you have some people with some interest in helping and you don't want to hurt anybody, you keep adding on and on. You end up with 15 entities doing management assistance.

The remainder of the hearing featured testimony from a broad range of entrepreneurs and small business owners who had been

served by the SBDC. Without exception, they were enthusiastically supportive of the program, and strongly advocated its continuation. Some of the typical comments were from:

Diane Thompson, co-owner and operator of Panache, a Seattle based limousine service she and a friend started upon graduation from college:

> We are only seven months old, so the SBDC has not seen the last of us. This is the only organization we've found that takes the time to explain the importance of developing a solid business plan that includes such information as need of proposed idea, projection of idea, market area, financial and income statements and balance sheets. By learning from the SBDC how to document this information properly, Panache has become a viable business which offers the unique limousine service in Washington State.

Eden Deutch, President of Metaconcepts of Seattle:

> It is not a one-shot deal where somebody comes and talks to you for an hour and then is gone. There is a relationship established that is ongoing and I feel like six months from today, a year from today, whenever I pick up the phone and call them to talk about what is going on, I can get some valuable information.

Keith Herrell, President of the Washington State Passenger Boat Association:

> These are a heck of a bunch of guys. The university, the resources of the university, together with business professionals, people who have been successful businessmen in their own right—they are problem solvers. They provide the kinds of practical solutions for small businesses to work quickly and efficiently, and provide the kind of credibility that let me sit across the table from the governor (to discuss the importance of the charter business to the state's tourist industry) and say, "These are the numbers, Governor." We did that last year. Because the SBDC provided the numbers. They do one heck of a job.

3. Washington, D.C. hearing, July 19, 1983

As stated earlier, the Washington, D.C. hearing, co-chaired by Senators Weicker and Nunn, was intended to be the culmination of the Committee's intensive SBDC review. As such, the Committee attempted to solicit testimony from all parties connected or concerned with, or affected by, the SBDC program. Witnesses included SBA and state officials, a panel of SBDC Directors, a panel of small business representatives, the Chairman of the SBDC National Advisory Board, SBI and SCORE association directors, and representatives of Centaur Associates and Berkeley Planning Associates, who performed the evaluations required by the law.

For the most part, testimony at the July 19th hearing was highly supportive of the SBDC program. While there were some concerns expressed regarding various aspects of the program and its operation, all wanted to see the program continued and improved.

However, there were a number of suggestions by witnesses for changes to strengthen and/or clarify certain aspects of the program. These recommendations centered around those areas of concern most frequently mentioned during the three hearings: duplication of services; competition with the private sector or other SBA management assistance programs, such as SCORE; lack of program consistency from state-to-state, including differences in funding mechanisms; difficulties in long-term planning because of the uncertainty about the continuation or level of federal funding; lack of clear guidelines as to size of client-businesses to be served and their graduation from the program; and unclear direction as to the need for, and content of, statewide plans and state SBDC advisory boards.

In order to give a complete representation of the testimony presented at the hearing, brief summaries of the key points made by each witness follow:

James O. Pickard, Secretary of Commerce, Commonwealth of Pennsylvania

Secretary Pickard has responsibility for overseeing the economic development efforts of the state, and thus, works closely with the SBDC in a number of areas. Roughly 90 percent of Pennsylvania's businesses are small, leading the state to make the development and growth of small firms one of its top priorities. SBDC's play a "key role" in carrying out this strategy, the Secretary testified.

The Pennsylvania SBDC is based at the Wharton School of the University of Pennsylvania in Philadelphia. It has 13 centers currently operating across the state, with an annual budget of more than $2 million and 59 full-time and 30 part-time employees. In 1982, the centers provided assistance to 2,852 clients, and through educational workshops and seminars, reached an additional 3,700 small firms.

The result of this activity, according to Pickard, was that "the Small Business Development Centers were involved, either directly or indirectly, in assisting employers in the creation of over 14,500 new jobs in Pennsylvania" between 1979 and 1982.

Pickard said a study of the SBDC's by the Governor's Office of Policy and Planning found that the structure of the program—13 separate offices located throughout the state—"is key to its success. Centers are better able to respond to the specific needs of their local business communities and are better able to work closely with local organizations which share common goals."

Mr. William F. Littlejohn, president of the National Association of Small Business Development Centers and director of the SBDC at the University of South Carolina

Speaking on behalf of SBDC directors, Mr. Littlejohn said the "major, overriding problem" SBDC's have faced since the beginning of the program is that "we have never really known whether the Federal partner would have any matching dollars, and if it did, in what amount. This uncertainty plays havoc with the program." To address that concern, he recommended that the SBDC budgets be set a year in advance to allow centers lead time in planning ac-

tivities. In addition, he advocated broadening each contract period to two to three years.

Littlejohn commended the SBA for strengthening its commitment to the program with the appointment of the Deputy Administrator for Management Assistance. This had effectively resolved any lingering doubts about the agency's belief in, and support of, the SBDC network, he said.

Finally, Littlejohn recommended that the statutory language be changed to require every state to file a statewide plan when applying for SBDC designation, and suggested that a national level of $20 million be established to fund the program in 1984.

The Committee also heard from three other SBDC directors. They concurred with Littlejohn's recommendations, and outlined specifics of their own programs to demonstrate the need for continued authorization for the program.

Small business panel

The Committee then heard from a small business panel, which included Lawrence Nannis, John J. Hurley & Co., Brookline, Mass; Arthur Jeffrey, president, Delta Area Chamber of Commerce, and president-general manager of Quality Market Corporation, Delta, Utah; and Frank Doyle, legislative advocate, Small Business Service Bureau, Worchester, Mass.

With the exception of Mr. Doyle, all of the small business representatives were strongly supportive of the program. Mr. Nannis, who also appeared as a member of the Small Business Association of New England (SBANE) and the Massachusetts SBDC Advisory Council, said that SBDC's in the region were providing significant contributions to the overall economy by "breeding a generation of entrepreneurs whose chance of success promises to improve, irrespective of economic conditions." He stressed the importance of strong private sector input into SBDC operations to "provide direction, technical support, and credibility to the system."

Mr. Jeffrey also praised the program operating in Utah, particularly in terms of the training it has offered to local businesses.

As the representative of the Small Business Service Bureau, Doyle supported the program and wants to see it continued, but said that he had some basic concerns which he hoped the Committee would address. Specifically, he indicated he was disturbed by the lack of program planning on a national level, the overlap in services offered by SBA, SBDC, SBI, and SCORE, the graduation of firms out of the SBDC, competition with the private sector, and the high cost of per-client counseling through the SBDC program. "There is a great responsibility, we feel, when spending public funds," Doyle said. "Problems in current SBDC's will be duplicated unless national coordination is improved on this level."

Gelorma Persson, chairwoman, National SBDC Advisory Board

Ms. Persson, calling the program, "the preventative measure so necessary to insure and increase the survival ratio of the small business community," urged the Committee to approve S. 1429 and make the SBDC's permanent. "Our directors spend fruitless hours laboring over the figures so necessary to achieve continuity, al-

though they should be out meeting the public challenges and keeping their fingers on the pulse of market competition," she said.

Additionally, Persson recommended increased efforts to make the public aware of the SBDC program nationwide, and to heighten state legislatures' awareness about its existence and activities.

As Chairwoman of the National Advisory Board, Persson indicated the board is "still in its infancy," but that she expects it to play an active role in the development of the program in the coming year. In order for this to occur, she recommended that the Agency give greater financial and organizational support to the advisory board.

George A. Breffeilh, president, SCORE

Mr. Breffeilh, addressing the cooperation between SCORE and SBDC, said relationships between the two organizations, on a state-by-state basis, "range from very good to somewhat indifferent, tending, I am afraid, toward the latter." Breffeilh said:

> Chapters consider SBDC comparable costs unnecessarily high. Others feel SBDC is competing directly with the SCORE program. SBDC should complement the SCORE program by furnishing services more in line with their capabilities and minimize those activities in which SCORE has more experience and is more cost-effective, namely, individual counseling and pre-business workshops.

He pointed out that the Berkeley cost comparison study for client counseling estimated SCORE costs for short-term counseling about $24 per client and comparable SBDC costs to be $1,169.

C. MANDATED PROGRAM EVALUATION

Public Law 96-302 mandated that an evaluation of the SBDC program be done prior to the expiration date of the statute, and presented to the House and Senate Committee on Small Business. As described in the Act, the evaluation was to be both "qualitative and quantitative," and was to address the following areas:

1. the impact of the SBDC program on small businesses, including private consultants, and the socio-economic base of the area served;
2. the multidisciplinary resources the small business development center was able to coordinate to assist small businesses; and
3. the extent to which various types of small businesses engaged in areas such as manufacturing, retailing, wholesaling and services have been assisted by the SBDC program.

The Act specified that this evaluation could be performed by SBA or by a private firm. The agency chose to contract it out, and on June 10, 1982, awarded the contract through competitive bidding to Centaur Associates, Inc., a Washington-based consulting firm.

Concurrent with this effort, the SBA contracted with Berkeley Planning Associates, of Berkeley, California, to perform a cost comparison study of SBDC services nationwide.

Both of these studies were completed and presented to SBA and the Congress on April 1, 1983.

1. The Centaur study

The Centaur study examined the operations of 15 SBDC's during the period 1980–1981. Extensive on-site visits were made by Centaur personnel. In addition, questionnaires were mailed to 20,000 firms which had received SBDC services to solicit their views on the quality and effectiveness of the assistance offered.

The results of the Centaur evaluation were both positive and encouraging for program advocates and administrators. Despite record numbers of business failures, high employment, and a generally declining economy during the period the study was being done, the Centaur researchers concluded that SBDC-assisted firms "did as well or better than their older and somewhat better established small business brethren."

Additionally, the study found that clients who received SBDC counseling or training services tended to show increased sales or profits in the year after the assistance, and that 60 percent of those receiving assistance rated the program highly and recommended it favorably to other small business persons.

Centaur researchers agreed that there may be a potential for competition between SBDC's and the private sector, and recommended that guidelines be developed to prevent such a problem. However, they admitted that, during their study, they found no evidence of competition between the two entities.

The study described the typical SBDC client as "white, male and college-educated, with about seven-to-nine years experience" in business. Women represented roughly 30 percent of the SBDC clients, and minorities approximately 14 percent, two-to-four times the national average of women/minority representation in business.

The typical client firm had three employees—75 percent of the total responses were from firms with fewer than six fulltime employees. Most of the firms were relatively new; 40 percent were founded in 1980 or later. Retail businesses made up 30 percent of SBDC-assisted firms; service-oriented businesses accounted for 41 percent.

Reaction to the Centaur study was generally favorable. Both the agency and the SBDC directors were pleased with the overall evaluation that the program *is* helping small firms survive and become successful. According to Harry Vonk, the Vice-President of Centaur, and the principle investigator of the study, "the program is providing quality and worthwhile services to a community that might not otherwise receive them."

In its testimony before the Committee, however, SBA noted that much of the data for the Centaur report had become dated, and that "many issues (the report) raises have been resolved" since the basic research was done.

Dr. William Flewellen, University Professor of Business and Industrial Development at the Georgia SBDC spoke for other SBDC directors when he expressed support for the Centaur analysis, but said that he was disappointed that it did not address the SBDC impact on sales, profit and employment overall. "These, to me, are the bottom lines," he commented.

2. Berkeley study

The Berkeley study was far more controversial and less well-received by the agency and the SBDC community than the companion Centaur study.

The Berkeley study was undertaken at the request of the SBA to provide a cost comparison between the training and counseling provided by the SBDC's and that provided by SBA's own management assistance division. The review did not address the issue of cost effectiveness or the quality of the services delivered.

The Berkeley study was based upon a review of the operations and activities of five SBDC's and 10 SBA district offices during the period 1980–1981. The sample of SBDC's were generally well-established and highly active in the training and counseling areas. Taken together, the five SBDC's represented roughly 40–43 percent of all the training and counseling done by SBDC's nationally during that period; the 10 district offices together accounted for between 16 and 19 percent of nationwide counseling and training activities by SBA in that time.

The findings of the cost study were fairly clear-cut: hourly costs for SBA district offices were signficantly lower than those for SBDC's. The differences in hourly costs varied from approximately 35 percent for long-term counseling to 356 percent for training.

However, during the July 19, 1983 hearing, it became clear there were several factors to consider in order to place this information in its proper context.

Berkeley researchers noted, for example, that their contract specified cost comparisons only in the areas of counseling and training, despite the fact that a significant amount of many SBDCs' time is spent on other activities as well. Under the SBA contract instruction, all of the costs of the two programs were to be allocated to counseling and training. This methodological decision by SBA, Berkeley President Frederick C. Collignon said, "works against the SBDC in terms of the cost analysis."

Moreover, Collignon pointed out that there are some very basic differences in the types of counseling and training activities carried out by the two programs. "Given these differences," he said, "it is to be expected that the SBDC delivery model would cost more per firm assisted." Specifically, Collignon said:

> The SBDC's emphasize counseling, while the district offices emphasize training. Within counseling, SBDC's emphasize long-term counseling, while district offices, when they provide counseling, concentrate on short-term counseling. The fact that the SBDC's focus on these more expensive services invariably tends to make that service delivery system more expensive.

Collignon also noted that district offices typically rely heavily on volunteers, from SCORE, ACE, and other sources, to provide their short-term counseling assistance. SBDC's on the other hand, have drawn mainly from their own paid staff, faculty, and students for counseling service. This, too, gives district offices a major cost advantage over the SBDC's, he said.

Finally, Collignon stressed that the Berkeley study looked "only at units of service and people services, not the results and not the outcome of service." In conclusion, he told the Committee:

> We perceive that the SBDC's are providing important services that are different from those provided by the district offices, and which the district office would probably find it difficult to provide, certainly with the limited number of staff currently available. We believe the SBA would be wise to let the SBDC's focus on the counseling of small businesses on business development and management issues, especially the longer-term type of counseling that the SBDC's are choosing to specialize in.
>
> The district offices could then explicitly focus on training, question answering, and referral, which are often the basis of the short-term counseling that we observed, and assistance on SBA financial applications. We suspect the district offices and the SCORE volunteers would do the longer-term counseling less well and that such counseling done effectively is important to the managers and entrepreneurs that seek it.

Collignon also said he was disturbed by what he perceived to be an emphasis on numbers of clients served by the SBDC's, rather than the quality of assistance delivered. "We, therefore, would suggest that performance measures that somehow incorporate the outcome of services are needed or, alternatively, that there should be more periodic qualitative assessments of the quality and impact of services," he said.

In response to the study, SBDC directors were critical of the fact that no economic impact comparison had been done between the two management assistance programs, and urged that any future cost studies include this element.

Dr. Robert Pricer, director of the Wisconsin SBDC, argued further that the cost allocation done by Berkeley did not accurately reflect SBDC resources and their distribution. Pricer contended that in computing cost allocation:

> Berkeley staff took SBA management assistance costs at the district, regional and central levels, and loaded that back onto the SBDC program, based on allocations of individuals.
>
> If the SBDC refers a client to a SCORE volunteer for in-depth counseling, Berkeley estimates that it costs $89.69 per hour to provide that service. If SBA district office refers a client to that same SCORE volunteer, the cost is $14.94. Obviously, it is the same resource, and the cost should be basically the same. There is obviously something wrong.

D. ADMINISTRATION VIEWS

The Committee, in its review, also sought the views of the Small Business Administration as well as the existing Small Business Development Centers.

The Small Business Administration expressed overwhelming support for continuation of the SBDC Program. At the July 19th hearing, the Administration provided a review of the SBDC program since its inception, discussed the results of the two studies, and described the agency's expanded program goals.

Citing the need for additional management assistance services not provided within the Agency's traditional management system, P.L. 96-302 mandated a continuation and expansion of the efforts begun by SBA's pilot program. In his testimony before the Committee, Deputy Administrator Herrera stated:

> Enactment of this law provided the basic framework and guidance for national program expansion. It enabled the Small Business Administration to focus on the refinement of policy and operational procedures. While this law is based on the SBA designed pilot program, it places stronger emphasis on the utilization of multiple consulting engineers, private testing laboratories, as well as government assistance programs and academic institutions.

Herrera emphasized that:

> SBDC's provide a unique opportunity for a full utilization of the total resources of the university and the highly specialized talent and knowledge that each of our SBDC's and their consortium schools can provide for assistance to clients and communities we serve. Working with the leadership of the Small Business Development Center Directors' Association, with our competent SBA field people, with the dedicated volunteer services of our SCORE and ACE personnel, we are confident that the full range of potential assistance to the small business community can be effectively delivered.

The Agency, sensitive to the issue of duplicative services provided by the SBDC program, emphasized the need to tap the unique resources of the university system. Herrera told the Committee:

> We are exploring various means of using the university system more extensively—in addition to our present cooperation with schools and business. We intend for new small business development centers to have a strong emphasis on technology transfer to the small business community. We want to integrate more schools of engineering, departments of computer sciences and other specialized areas of university expertise in the small business development center program.

The SBA offered several legislative proposals for the Committee to consider to strengthen the Agency's internal administrative control over the program.

In addition to the testimony provided by the Small Business Administration at the July 19th hearing, the Agency submitted extensive written responses to questions raised by the Committee. This detailed correspondence is printed in full in the Appendix of this report.

After reviewing SBA testimony, program operation and responses to Committee questions, the Committee concluded that there is a strong commitment by the Agency to this program. In the Committee's opinion, the success or failure of the SBDC program rests, in large part, on the effective management of the program by the agency. For example, a strong leadership role will engender greater interest and commitment at the state level. A continuing opportunity for the exchange of views with the SBDC directors will help insure compliance with the Agency's rules and regulations and provide SBA with vital information on problems that the Agency's policies may be causing in the day-to-day operation of the SBDC program.

Section V. Additional Committee Considerations

A. AUTHORIZATION LEVELS

Current law does not provide a specific authorization for the SBDC program for Fiscal Year 1984. S. 1429, as amended, authorizes $25 million for Fiscal Year 1984, $30 million for Fiscal Year 1985, and $40 million for each of Fiscal Years 1986 and 1987.

The increases in funding are based on the Committee's expectation that this program will become nationwide by 1987. The leveling-off of funds in Fiscal Years 1986 and 1987 indicates the Committee's expectation that there will be a limit on the federal funds likely to be made available for this management assistance program. While the Congress is prepared to remain as a financial partner in this important small business program, the government will not be able to continually provide escalating levels of funding.

It is the Committee's view that increased financial participation by states, local authorities and the private sector is appropriate and necessary if the program is to expand its services to meet the needs of small business. The Committee also views the agency's role in encouraging this transition to an increased reliance on non-federal funding as crucial. In reviewing the SBDC applications and cooperative agreements, SBA should review the SBDC's planning for program growth and for obtaining future additional funds from sources other than the Federal government.

Additionally, concerns have been raised about the agency's use of funds appropriated by Congress for the SBDC program for other SBA management assistance programs. The Committee realizes that this diversion of funds, while not having any current impact on the SBDC program, does have the potential for undercutting the limited funds which Congress specifically authorizes and appropriates for the SBDC program in the future. The Committee has included language in the bill to make clear to SBA that funds authorized and appropriated for the program shall be available solely for the SBDC program.

B. NON-FEDERAL MATCH REQUIREMENT

The section of Public Law 96-302 which authorizes the Administration to award financial assistance to eligible recipients for the establishment and operation of small business development centers, also requires each recipient to provide matching funds. Spe-

cifically the Act requires that the recipient provide matching funds derived exclusively from non-federal sources, in an amount equal to the amount to be awarded by the Administration. The Act's matching requirement further specifies that no more than fifty percent of the recipient's match is permitted to be in the form of in-kind contributions or indirect costs. This statutory limitation on the extent to which indirect costs and in-kind contributions can be used for the match left unstated the composition of the other fifty percent of the match.

It has been the Committee's understanding, and the Committee's intention, that this "other" fifty percent of the required match would be in the form of cash contributions. To eliminate any confusion, and to restate the Committee's intent, the Committee has amended the matching requirement to make clear that at least fifty percent of the recipient's match is to be in cash.

In its oversight of the program, the Committee found the strongest SBCD's to be in states where there was significant support for the program from both public and private sectors.

Interest in the program exhibited by a governor, state legislators, presidents of universities and business leaders, increased the visibility and strengthens the program. The Committee believes the Administrator needs to be satisfied that a significant commitment is made by the appropriate officials in the state prior to a contract being renewed or a new application funded.

The Committee recognizes that educational institutions currently sponsoring SBDC's fulfill the non-Federal matching requirement by making available personnel, facilities and other resources to the SBDC. For many of the educational institutions currently sponsoring SBDC's, such an arrangement is the only realistic method of meeting the required match. The Small Business Administration has recognized that the salaries attributable to university-based personnel made available to the SBDC may be used to meet the cash requirement. It is the intent of the Committee that these statutory changes not be interpreted to require or authorize SBA to change this practice with respect to existing SBDCs. The statutory language is intended to be a restatement of existing law.

However, in reviewing the non-Federal cash match requirement, the Committee expects the Administration to pay particular attention to the proposed budgets and personnel services being provided to the SBDC by the sponsoring institution.

It is vital that the Administration monitor this allocation of resources to insure that the portion of salary costs attributable to the SBDC have, in fact, been provided and utilized solely for the operation of the SBDC. Such oversight should be part of the Administration's regular program reviews and confirmed by regular audits.

With the addition of the phrase, "the award to" in the introductory provisions of the statutory matching requirement, it is the Committee's intention that the Administration would require the application from the prospective SBDC to clearly demonstrate the source of the non-Federal cash match that will be provided. However, the Committee does not intend for the Administration to require applicants to produce any non-Federal monies prior to final award. The Administration shall consider and recognize the good faith commitment of non-Federal cash as sufficient, as long as sat-

isfactory evidence of this commitment is provided in the application. Once this and the other criteria in the application have been satisfied, the Administration shall not delay the award.

C. APPLICATION FOR FEDERAL FUNDS

Current law provides that, before an SBDC can receive federal matching funds, it must submit an application to SBA detailing certain information about the structure, operation, services to be delivered, and "such other assurances" as SBA determines to be necessary. The Committee has amended this application section to include within the "assurances" that SBA shall require of each applicant, information showing that "the assistance to be provided will not solely duplicate or replace existing services." A similar requirement is already part of the Agency's standard operating procedures. The Committee is aware of a number of instances where potential applicants have intended to transfer existing state-funded programs into an SBDC program, and then, using the Federal matching funds, reduce the state's financial share by the amount of the Federal funds added to the program. This is not the intent of the SBDC program, and the Committee has included statutory language to require the SBA to carefully review the origins of existing programs and funds to be made available to any new SBDC. While the Committee recognizes and encourages, the coordination of services to be made available to small business, the Committee is taking steps to guard against Federal funds being used to simply supplant existing state or locally-funded programs, or for a matching Federally funded SBDC to merely replace existing management assistance programs.

The Committee has also made conforming amendments to the funding application provisions to clarify the current operating differences between an "application" for matching Federal financial assistance, and a "plan" for providing assistance to small businesses using those matching funds.

D. STATE PLANS

Current law prohibits SBA from granting financial assistance to any SBDC through fiscal year 1983 if approving such assistance would be inconsistent with the plan for the area to be served by the SBDC. This plan is to be approved by an appropriate agency within the state "authorized to do so." This requirement was included in the original statute to insure that the SBDC services were made available to small business in a comprehensive and orderly manner.

Recently, the Small Business Administration has been asked to approve an SBDC that would provide assistance to small business in only a portion of a state. In its testimony before the Committee, the agency questioned whether it had authority to approve a center that would operate on other than a statewide basis. The Committee recognizes that certain states may require more than one funded SBDC in the state in order to insure that small businesses are given access to services. In the Committee's view, there is ample existing statutory language, and legislative history, to support the agency's approval of an SBDC that would provide services to a geo-

graphic area that is less than the entire state. However, through fiscal year 1983, the current law prohibited approval of that center unless the service plan for the area was approved.

S. 1429, as reported by the Committee, makes the submission of the plan for providing management assistance mandatory before any financial assistance may be made available to an SBDC. In addition, the Committee has reinstated the statewide plan requirement as a prerequisite for Federal matching funds. This statewide plan would specify how the SBDC's in the state (either a single, statewide program, a single program composed of consortium schools, or multiple SBDC's approved by the SBA) are to provide management assistance to the state's small businesses. SBA, before naming any new SBDC's approving any SBDC application for financial assistance, must make certain that all participating entities agree to cooperate and coordinate their activities within the area to be serviced in accordance with the statewide plan. However, nothing in the current law, or in the Committee's amendments, would prohibit SBA from approving an otherwise qualified application for an SBDC that would begin its service delivery in only a portion of the state, provided that such service is consistent with the statewide plan which has been approved for the state.

E. PRIVATE CONSULTANTS

Congress has been sensitive to the allegations of conflicts between the private sector consultants and the SBDC program, and the potential for competition between them. To address this issue, P.L. 96-302 mandates that "a Small Business Development Center shall utilize and compensate as one of its resources qualified small business vendors."

This language was incorporated in the law to provide explicit recognition of the critical role that private sector consultants play as a major resource of the SBDC in providing management assistance to small business, while permitting maximum flexibility to the SBDC to decide how best to use the resources available to it to meet program needs.

The Committee is satisfied that SBDC's are making efforts to integrate private consultants into their programs. The Committee strongly encourages SBA to carefully review the SBDC's use of private consultants on either a paid, or volunteer basis.

F. COMPETITION WITH THE PRIVATE SECTION

Additional concerns have been raised regarding the potential competition between SBDC's and the private sector in the delivery of management assistance. In the review of the program undertaken by Centaur Associates, it concluded that the potential for such competition exists. However, during its review of the program, the Committee found no evidence to indicate significant competition between SBDC's and the private sector in providing assistance to small business.

In fact, there is ample evidence in the hearing record indicating that the SBDC program provides a source of referrals to for-profit businesses. In considering this issue, the Committee found the com-

ments of Jim Hostetler, an attorney representing many management consulting firms, at the July 19th hearing to be helpful:

> On the question of competition with the private sector, our experience has been that the program has been relatively positive in terms of potential competition with technical and professional services. However, again, we think that the vagueness with which each SBDC handles this sensitive question causes a perception that really would not exist if there were some more precise guidelines. We think the integrity and effectiveness of the program would be enhanced.

The Committee agrees that each SBDC needs to establish guidelines to address the issues of eligibility for assistance and graduation of clients to private firms. In creating these guidelines, the Committee recommends that the SBDC's work closely with SBA and the for-profit business sector.

G. FEES

The current statute permits the SBDC to charge a fee for the services it provides. Most SBDC's have chosen not to impose any fees, although the agency has indicated that they have been experimenting with a fee structure. The Committee recognizes that it may be appropriate to charge clients for the reasonable overhead expenses connected with training programs. However, the Committee would be concerned with any general policy of charging small business concerns a fee for one-on-one counseling. Such a fee structure could tend to increase the likelihood of direct competition between the SBDC and the for-profit sector.

H. SCORE

SBA already encourages each SBDC to include in its funding application a plan for incorporating all other SBA management assistance programs, including SCORE, as a part of its overall resources.

In Wisconsin and Georgia, for example, working relationships have been established through written agreements between the centers and SCORE chapters, identifying respective areas of expertise and setting up guidelines for delivering services to small business.

The Committee reiterates its strong desire and firm expectation that each SBDC will work with local SCORE chapters to reach appropriate agreements for the coordinated delivery of management assistance to small business.

I. NATIONAL SCIENCE FOUNDATION AND NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

Current law mandates that the National Science Foundation's (NSF) funded innovation centers are directed to cooperate with the SBDC's in their activities. NSF is also required to submit an annual report to Congress and the SBA on the cooperation between the innovation centers and the SBDC. In the only report that the Committee has received from NSF, that agency pointed out that it

is no longer providing any Federal funding to support innovation centers. However, the Committee believes that it is important for SBA and NSF to reestablish a working relationship between the agencies and with the SBDC's, particularly in providing technology assistance to small business. Therefore, the Committee has included within S. 1429 a provision repealing current law, but mandating that the NSF shall cooperate with SBA in making NSF services and programs available to support SBDC operations.

An additional provision in current law imposes a requirement on the National Aeronautics and Space Administration (NASA) to undertake similar cooperative efforts with their industrial application centers. The Committee has made no changes to this portion of the statute. In its report to the Committee, NASA indicated that it has had some successes in working with the SBDC's to assist small business. In particular, NASA cited the work of their state technology applications center at the University of Florida (Gainesville) in working with the Florida SBDC satellite offices in Jacksonville and Tallahassee. The Committee is also aware of the cooperative relationship which has been established between the SBA and NASA's New England Research Application Center (NERAC) in Connecticut and expects these cooperative efforts to continue with this and other similar centers.

The Committee recognizes the disparity between the primary programs of NASA and SBDC's. However, as small business expands its efforts into technology areas, the access to these NASA centers could be of significant value. The Committee would expect the initial cooperative efforts between the two agencies, and between their two programs, to be refined and strengthened.

J. NATIONAL ADVISORY BOARD

Current law requires a National Advisory Board of the SBDC, to be composed primarily of business people, to provide advice and counsel to the SBA and to the Deputy Associate Administrator of Management Assistance charged with operating the SBDC program. The Committee strongly believes that the SBPC National Board plays an important role in the overall design, and review of the program on a national basis. Current law requires the National Board to meet at least quarterly. Given legitimate constraints on the Advisory Board, the Committee has reduced the number of mandatory meetings from quarterly to semi-annually. However, nothing in the Committee's amendment would preclude the board from meeting more frequently if it determines additional meetings to be necessary.

K. LOCAL ADVISORY BOARDS

The existing statute leaves to the discretion of each center the question of whether to form a local advisory board. S. 1429 amends the law to require the establishment of local boards.

Testimony at the Committee hearings indicated that each SBDC had or was forming a local advisory board. Both the SBDC's and the SBA recognized the importance of having the advice of the board, and recommended that this provision of the law be made mandatory.

The Committee amendment is intended to ensure that SBDC's rely on the advice and expertise of local business resources to enable the center to deliver services more effectively.

The Committee also suggests that representatives from other management assistance programs, such as SCORE, ACE, and SBI, be appointed to the board. The Committee believes that representation by these groups on the board will improve their working relationships with the SBDC.

L. SBDC STAFF DIRECTOR

Current law requires each SBDC to have a full time staff, and a staff director to oversee the program. In the initial drafting of this law, Congress recognized that there would be variations among the centers in their internal organizational structures, and left the details of the staffing requirements to the discretion of the SBDC. However, even in the development of the initial legislation, it was clear that the SBDC operation, to be successful, required the availability of a full-time staff. Experience with the program has reinforced the Committee's judgement in that regard.

Therefore, the Committee has included a provision requiring that each small business development center shall also have a full-time staff director whose sole responsibilities will be to manage the center and its satellites, and provide services to the program. The Committee views the SBDC program as a full-time operation, which demands the services of a full-time director. The Committee recognizes that there needs to be flexibility for the SBDC director to carry out other responsibilities for the SBDC, and the addition of the phrase "provide services to the program" is meant to provide that flexibility. However, the Committee would not approve of an SBDC director also retaining teaching responsibilities within a university, or maintaining a separate business. Nothing in the Committee's amendment would preclude an SBDC director from remaining as a full-time employee of a university, however, as long as the director's time was devoted solely to the work of the SBDC.

The requirement in current law for a full-time staff to perform services for the SBDC has not been changed. However, the Committee urges each SBDC to aggressively pursue additional, less costly means of providing services to its clients, including an increase in the use of volunteers, and an increase in the use of private consultants on a fixed fee, or retainer basis.

M. MINORITY AND WOMEN BUSINESS OWNERS

It was the Committee's intent when enacting P.L. 96-302 that the unique management assistance services provided by an SBDC would be available to all small businesses. In its review of the pilot program, however, the Committee found that in many instances, women and minorities were unaware of the SBDC services available to them.

The Committee strongly emphasizes that where appropriate special efforts should be made by the SBDC to inform these disadvantage groups of the services available. This may require the SBDC to use non-traditional methods of outreach, including specialized media or trade associations.

N. LOCATION AND ACCESS TO CENTERS

Current law provides only that an SBDC shall make its services available "as close as possible" to small business. This provision has been used, appropriately, as a basis for developing satellite locations of the SBDC in more readily accessible business environments to facilitate the use of the SBDC services by small business. The Committee has amended current law to explicitly state that the facilities and staff of each small business development center shall be located so as to provide the maximum accessibility, and benefits, to small business. The Committee is aware of instances in which the SBDC counseling offices have been located on the top floor of buildings, in an isolated area of the school, and with virtually no easy accessibility. To the extent possible, it is the Committee's strong recommendation that an SBDC's service delivery offices be located in readily accessible business areas, such as downtown storefronts or chambers of commerce. Not only will such accessibility make it more likely that small business will be able to take advantage of the SBDC services, but such a location will increase the visibility and public awareness of the availability of such services.

The Committee recognizes that, in some instances, it may be necessary to separate the administrative offices of the SBDC from the actual counseling sites.

O. MANDATORY EVALUATION

Current law mandates a detailed evaluation of the SBDC program. The agency's evaluation of the SBDC program was completed in 1983 and submitted to the Small Business Committee. The Committee has evaluated the study and incorporated several of the findings in statutory changes contained within S. 1429. The Committee has also deleted the provision requiring a mandatory evaluation of the program.

The Committee believes that the authorization process provides a means through which the program will be regularly evaluated by Congress.

SECTION VI. SECTION-BY-SECTION ANALYSIS

Section 1 (1)

The Committee makes a technical change to clarify that the Small Business Administration is responsible for making the final eligibility determination in establishing a small business development center, not merely to have a role to "assist in establishing" an SBDC.

Section 1 (2)

Existing statutory language does not sufficiently define what should constitute a non-federal, non-in-kind match.

This amendment will clarify that at least 50% of the total non-federal match required to be provided by the SBDC is to be in cash.

Section 1 (3)

In order to participate in the SBDC program, current law requires that a state must submit a plan to the Administration, identifying those authorized to participate in the program, the budget, the region(s) to be served, the services to be rendered, and how the services will be delivered by each regional participant.

This amendment makes it clear that a state-wide plan for the services to be provided by an SBDC is a requirement for eligibility for Federal funds. The amendment also eliminates the sunset date on the requirement that the state plan be provided before financial assistance is to be made available to an SBDC.

Section 1 (4)

Two changes are technical in nature to clarify the difference between an "application" to participate in the program and the state "plan".

There are certain large states that may require more than one SBDC in the state to fully provide management assistance to small businesses. The amendment makes clear that the Small Business Administration, upon reviewing the requests for participation in the SBDC program, may only approve an application for establishing an SBDC that is consistent with the overall plan approved by the state for providing assistance to small businesses.

Section 1 (5)

This amendment clarifies that the application for an SBDC must provide information showing that the assistance to be provided by the SBDC will not solely duplicate or replace existing services.

Section 1 (6)

In order to improve access to the small business development center extension services and offices, this amendment provides that facilities and staff shall be in areas that are located to maximize accessibility and services to the small business communities.

Section 1 (7)

This clarifying amendment reemphasizes Congressional intent that a small business development center shall have a full time staff director whose sole responsibilities will be to manage the center and provide services to the program.

Section 1 (8)

The current statute mandates that the National Science Foundation and its innovation centers cooperate with the SBDC program. However, there is no present funding available for innovation centers supported by the National Science Foundation.

This amendment deletes the current requirement, but mandates that the National Science Foundation shall cooperate with SBA in making the NSF services and programs available to support SBDCs.

Section 1 (9)

The current law requires four National Advisory Council meetings a year. The statute is amended to reduce the mandatory meetings of the National Advisory Board to bi-annually.

Section 1 (10)

Existing law is permissive on the authority of a state SBDC to form a local advisory board. Under the Committee amendment, each center is required to establish a local advisory council.

Section 1 (11)

Current law mandates a detailed evaluation of the SBDC program. The SBA's evaluation of the SBDC program was completed in 1983 and submitted to the Small Business Committee. The authorization process already provides a means through which the program will be regularly evaluated by Congress. Therefore, the mandatory evaluation of the SBDC program is stricken.

Section 2

This is a technical amendment which strikes several outdated SBDC funding provisions originally necessitated by the statutory creation of an SBDC program.

Section 3

Current law provides only a general authorization for the SBDC program for fiscal year 1984. This amendment specifically provides that $25 million is authorized to be appropriated for 1984. $30 million is authorized for 1985. $40 million is authorized for fiscal years 1986 and 1987, thereby capping the funds for this matching grants program.

Concerns have also been raised about the agency's use of funds appropriated by Congress for the SBDC program for other SBA management assistance programs. This amendment also makes it clear that funds authorized and appropriated for the SBDC shall be available solely for the SBDC program.

Section 4

The current SBDC program has been a pilot program, with a statutory sunset date of October 1, 1984.

This amendment repeals the sunset date, thus making the program permanent.

Section VII. Matters Required To Be Discussed Under Senate Rules

A. COMMITTEE VOTE

In compliance with Rule XXVI (7)(B) of the Standing Rules of the Senate, the following roll call vote was recorded:

A motion by Mr. Weicker to favorably report S. 1429, with an amendment in the nature of a substitute and an amendment to the title, was unanimously agreed to:

YEAS (18)	NAYS
Weicker	
Packwood [1]	
Hatch	
Boschwitz [1]	
Gorton	
Nickles	
Rudman	
D'Amato	
Pressler [1]	
Nunn	
Huddleston [1]	
Bumpers	
Sasser [1]	
Baucus [1]	
Levin	
Tsongas [1]	
Dixon [1]	
Boren	

[1] Indicates proxy vote.

B. REGULATORY IMPACT STATEMENT

In compliance with Rule XXVI (11)(b) of the Standing Rules of the Senate, it is the Committee's belief that this bill will have no regulatory or privacy impact on the small business affected by the legislation.

C. COST OF LEGISLATION

In compliance with Rule XXVI of the Standing Rules of the Senate, the Committee estimates that the legislation will be equal to the amounts indicated by the Congressional Budget Office in the following letter:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, D.C., November 7, 1983.

Hon. LOWELL P. WEICKER, Jr.,
Chairman, Committee on Small Business, U.S. Senate, Russell Senate Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to Section 403 of the Congressional Budget Act of 1974, the Congressional Budget Office has prepared the attached cost estimate for S. 1429, a bill to amend the Small Business Act to extend and strengthen the Small Business Development Center Program, and for other purposes.

Should the Committee so desire, we would be pleased to provide further details on this estimate.

Sincerely,

RUDOLPH G. PENNER.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill number: S. 1429.

Bill title: A bill to amend the Small Business Act to extend and strengthen the Small Business Development Center Program, and for other purposes.

3. Bill status: As ordered reported by the Senate Committee on Small Business, November, 1, 1983.

4. Bill purpose: S. 1429 would authorize specific program levels for fiscal years 1984 through 1987 for the Small Business Development Center Program (SBDC) administered by the Small Business Administration (SBA). S. 1429 would also make a number of changes affecting eligibility and administration of the program. The current SBDC pilot program, which provides assistance to small businesses, is scheduled to terminate at the end of fiscal year 1984. Approximately 27 SBDC programs operate nationwide.

Under the Continuing Resolution (Public Law 98–107), fiscal year 1984 appropriations for the SBDC program are at an annual rate of $22 million. The October 31 conference agreement on H.R. 3222, the regular appropriation bill, also provides $22 million for this purpose. Fiscal year 1983 appropriations for the SBDC program were $15 million; the President requested $16 million in 1984 for SBDC's.

5. Estimated cost to the Federal Government:

[By fiscal years, in millions of dollars]

	1984	1985	1986	1987	1988
Authorization level	(1)	30	40	40	
Estimated outlays	(1)	24	38	40	8

[1] The SBDC program is currently authorized in 1984 at such sums as may be necessary. The bill specifies a ceiling of $25 million in 1984.

The costs of this bill fall within budget function 370.

Basis of estimate: For purposes of this estimate, it was assumed that the entire amount authorized in the bill in each fiscal year would be appropriated prior to the beginning of the fiscal year. Outlays reflect historical spending patterns. The above table does not include an additional budget impact for fiscal year 1984, because the program is already authorized for that year.

6. Estimated cost to State and local governments: Participation in the SBDC program requires 50 percent matching funding from nonfederal sources (a minimum of half cash and the remainder through in-kind services). A number of states currently participate in the program, primarily through state universities. To the extent that states would apply for and be awarded SBA grants to establish or maintain an SBDC, they would be responsible for matching funds. Based on historical participation levels, and assuming SBA commitment levels consistent with the authorization levels specified in the bill, it is expected that state cash outlays for SBDC activities would be approximately $6 million 1984, $7 million in 1985, and $8 million in each of the fiscal years 1986 and 1987.

7. Estimate comparison: None.

8. Previous CBO estimate: On October 5, 1983, the Congressional Budget Office prepared a cost estimate for H.R. 4013, as ordered reported by the House Committee on Small Business, October 4, 1983.

H.R. 4013 would authorize the SBDC program through January 1, 1985. No specific authorization level was provided in that bill.

9. Estimate prepared by: Mary Maginniss.

10. Estimate approved by: C. G. Nuckols (For James L. Blum, Assistant Director for Budget Analysis).

CHANGES IN EXISTING LAW

In compliance with Rule XXVI(12) of the Standing Rules of the Senate, changes in existing law made by the statutory provisions of the bill are as follows (existing law proposed to be omitted is enclosed in black brackets, new material is printed in italic, and existing law in which no change is proposed is shown in roman):

SMALL BUSINESS ACT

* * * * * * *

SEC. 21. (a)(1) The Administration is authorized to make grants (including contracts and cooperative agreements) to any State government or any agency thereof, any regional entity, any State-chartered development, credit or finance corporation, any public or private institution of higher education, including but limited to any land-grant college or university, any college or school of business, engineering, commerce, or agriculture, community college or junior college, or to any entity formed by two or more of the above entities (herein referred to as "applicants") to [assist in establishing] *establish* small business development centers and to any such body for: small business oriented employment or natural resources development programs; studies, research, and counseling concerning the managing, financing, and operation of small business enterprises; delivery or distribution of such services and information; and providing access to business analysts who can refer small business concerns to available experts.

(2) The Administration shall require, as a condition to *the award of* any grant (or amendment of modification thereof) made to an applicant under this section, that [an additional] *a matching* amount (excluding any fees collected from recipients of each assistance) equal to the amount of such grant *shall* be provided *by the applicant* from sources other than the Federal Government[;], *to be comprised of not less than 50 percent cash and not more than 50 percent in-kind contributions: Provided, That this matching amount shall not include any in-kind contributions derived from any Federal program:* [*Provided,* That the additional amount shall not include any amount of indirect costs or in-kind contributions paid for under any Federal program, nor shall such indirect costs or in-kind contributions exceed 50 percent of the non-Federal aditional amount:] *Provided further,* That no recipient of funds under this section shall receive a grant which would exceed its pro-rata share of a $65,000,000 program based upon the population to be served by the small business development center as compared to the total population in the United States, or $200,000, whichever is greater.

(b)(1) [During fiscal years 1981, 1982, and 1983] *F*inancial assistance shall not be made available to any applicant if approving such assistance would be inconsistent with a plan for the [area] *state* involved which has been adopted by an agency recognized by the

State government as authorized to do so and approved by the Administration in accordance with the standards and requirements established pursuant to this section.

(2) An applicant may apply to participate in the program by submitting to the Administration for approval [a plan] *an application* naming those authorized in subsection (a) to participate in the program, the geographic area to be served, the services that it would provide, the method for delivering services, a budget, and any other information and assurances the Administration may require to insure that the applicant will carry out the activities eligible for assistance[.] *including information showing that the assistance to be provided will not solely duplicate or replace existing services.* The Administration is authorized to approve, conditionally approve or reject [a plan] *an application* or combination of [*plans*] *applications* submitted. In all cases, the Administration shall review [plans] *applications* for conformity with the plan submitted pursuant to paragraph (1) of this subsection, and with a view toward providing small business with the most comprehensive and coordinated assistance in the State [or part thereof to be served.].

(3) At the discretion of the Administration, the Administration is authorized to permit a small business development center to provide advice, information and assistance, as described in subsection (c), to small businesses located outside the State, but only to the extent such businesses are located within close geographical proximity to the small business development center, as determined by the Administration.

(c)(1) Applicants receiving grants under this section shall assist small businesses in solving problems concerning operations, manufacturing, engineering, technology exchange and development, personnel administration, marketing, sales, merchandising, finance, accounting, business strategy development, and other disciplines required for small business growth and expansion, innovation, increased productivity, and management improvement, and for decreasing industry economic concentrations.

(2) A small business development center shall provide services as close as possible to small businesses by providing extension services and utilizing satellite locations when necessary. *The facilities and staff of each small business development center shall be located in such places as to provide maximum accessibility and benefits to the small businesses which the center is intended to serve.* To the extent possible, it also shall make full use of other Federal and State government programs that are concerned with aiding small business. A small business development center shall have—

(A) a full-time staff, [including] *and* a staff director *whose sole responsibilities shall be* to manage the program activities[;] *and provide services to the program;*

(B) access to business analysts to counsel, assist, and inform small business clients;

(C) access to technology transfer agents to provide state of art technology to small businesses through coupling with national and regional technology data sources;

(D) access to information specialists to assist in providing information searches and referrals to small business;

(E) access to part-time professional specialists to conduct research or to provide counseling assistance whenever the need arises; and

(F) access to laboratory and adaptive engineering facilities.

* * * * * * *

(c) [The National Science Foundation and innovation centers supported by the National Science Foundation are authorized and directed to cooperate with small business development centers participating in this program. The National Science Foundation shall report annually on the performance of such innovation centers with recommendations to the Administration and the Congress on how such innovation centers can be strengthened and expanded. The National Science Foundation shall include in its report to Congress information on the ability of innovation centers to interact with the Nation's small business community and recommendations to the Administration on continued funding.] *The National Science Foundation is authorized and directed to cooperate with the Administration in developing and establishing programs to support small business development centers.*

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(h)(2) The Board shall elect a Chairman and advise, counsel, and confer with the Deputy Associate Administrator for Management Assistance in carrying out the duties described in this section. The Board shall meet at least [quarterly] *semi-annually* and at the call of the Chairman of the Board. Each member of the Board shall be entitled to be compensated at the rate not in excess of the per diem equivalent of the highest rate of pay for individuals occupying the position under GS–18 of the General Schedule for each day engaged in activities of the Board and shall be entitled to be reimbursed for expenses as a member of the Board.

(i)(1) Each small business development center [may] *shall* establish an advisory board.

(2) Each small business development center advisory board shall elect a chairman and advise, counsel, and confer with the director of the small business development center on all policy matters pertaining to the operation of the small business development center, including who may be eligible to receive assistance from, and how local and regional private consultants may participate with the small business development center.

[(j) The Administration, with the advice of the Board, shall establish a plan for evaluation of the small business development center program which may include the retaining of an independent concern to conduct such an evaluation. The evaluation shall be both quantitative and qualitative and shall determine—

[(1) the impact of the small business development center program on small businesses, including private consultants, and the socio-economic base of the area served;

[(2) the multidisciplinary resources the small business development center program was able to coordinate to assist small businesses; and

[(3) the extent to which various types of small businesses engaged in areas such as manufacturing, retailing, wholesaling

and services have been assisted by the small business development center program.

For the purpose of this evaluation, the Administration is authorized to require any small business development center or party receiving assistance under this section to furnish it with such information annually or otherwise as it deems appropriate. Such evaluation shall be completed and submitted to the Senate Select Committee on Small Business and the Committee on Small Business of the House of Representatives by January 31, 1983.]

[(k)] *(j)* The authority to enter into contracts shall be in effect for each fiscal year only to the extent or in the amounts as are provided in advance in appropriations Acts.

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SEC. 7. * * *

(d)(1) [On or after October 1, 1980,] *The* Administration shall not fund any small business development center or any variation thereof, except as authorized in section 21 of this Act [*Provided,* That in fiscal year 1980 nothing in this section or in section 21 shall be deemed to affect the operation of any small business development center which was funded by the Administration prior to October 1, 1979: *Provided further,* That no small business development center which was funded in fiscal year 1979 may be funded in excess of $300,000 in fiscal year 1980.].

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SEC. 20. * * *

(t) There are hereby authorized to be appropriated for fiscal year 1984, $25,000,000 for fiscal year 1985, $30,000,000, for fiscal year 1986, $40,000,000, and for fiscal year 1987, $40,000,000, for carrying out the provisions and purposes of the Small Business Development Center program in Section 21.

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PUBLIC LAW 96-302

TITLE II—SMALL BUSINESS DEVELOPMENT CENTER ACT OF 1980

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[SEC. 204. Sections 201 and 202 of this title are repealed effective October 1, 1984.]

APPENDIX

U.S. SMALL BUSINESS ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR,
Washington, D.C., October 21, 1983.

Hon. LOWELL WEICKER, Jr.,
Chairman, Committee on Small Business,
U.S. Senate, Washington, D.C.

DEAR SENATOR WEICKER: I appreciate the opportunity to respond to the questions you raised about the SBDC program in your August 18th letter.

1. Are you satisfied with the SBDC's outreach to and utilization of, the private, for-profit sector?

No, we are not satisfied that the SBDC's are adequately using private-sector consultants and volunteers. To increase this involvement, SBA has required the SBDC's to set private sector participation goals. We also plan to set guidelines to encourage the use of small business consultants as opposed to the use of faculty personnel in the counseling process. We further recommend that the existing legislation be modified to require that a specific sum be set aside by each SBDC for the utilization of private-sector consultants.

2a. Do you expect that this will be a nationwide program in time?

Yes, if the program continues to receive increased funding, from all sources including the federal government, we expect that most states will have an SBDC within five years. We do, however, realize that there is a limit to the amount of federal funding that will be authorized for the SBDC program. For this reason we are keenly aware of the need to increase state, local, and private sector financial support for this program.

2b. Should Congress, or will the Agency control the growth of the program?

We believe that SBA should control the growth of this program. Over time we have developed staff expertise and established a favorable working relationship with the SBDC Director's Association. We also have established a substantial base of experience in managing this program.

2c. What does the Agancy envision as a necessary authorization for this program for Fiscal Year 1985 and beyond?

The Administration has submitted a request of $14 million for the SBDC program for FY 1984, however, it is obvious from Congressional action that the program's final funding level will be substantially above $14 million. The authorized funding level for succeeding years would be predicated on new states seeking participation in the program, combined with expansion within existing

SBDCs. Effective control of this program is essential to insure its productivity. Flexible funding authority would be of substantial help in exercising this control.

2d. Do you believe that the SBDC state plan requirement is an important statutory element?

We strongly support the requirement that SBDC's provide a state plan. The plan ensures us that management and technical assistance is available to small business population centers within the state.

3. Do you believe that the statute currently permits more than one SBDC per state? Would you recommend a clarification of the statute or would Committee report language suffice?

P.L. 96-302 does not specify if there can be more than one SBDC per state. We recommend a clarification of the law to permit the States of California, New York, and Texas to establish more than one SBDC within their respective state. Other states should be restricted to one SBDC per state.

4a. What do you see as the primary function of the SBDC?

The primary function of the SBDC is to serve as the focal point for linking together resources of the Federal, state and local governments with those resources of the university and private sector. These resources are utilized to counsel, train and offer technical assistance to the small businessperson.

4b. Do you believe that the expansion of the SBDC program to areas of technology transfer, economic development and Small Business Innovation Research, at SBA's direction, moves the SBDC away from providing BASIC management assistance to small businesses that was the initial basis for undertaking the SBDC program legislatively in 1980, into a more competitive posture with the for-profit private sector?

The SBDC will continue to offer basic management assistance to small businesses in those areas which the SBA is not able to service. We do not believe that the SBDC's expansion into the technical/economic development areas has placed the SBDC in a competitive position with the private sector. The SBDC will continue to refer clients who can afford assistance to private sector consultants.

5. Do you believe that the statutory requirements for the minimal delivery of services by the SBDC is sufficient to insure that SBDCs are providing needed assistance to the small business community?

Although, we feel that the statute's language is sufficient to insure minimal service delivery, we would support any additional language which would assist the Agency in being able to more fully utilize the total university system in the SBDC program.

6. Do you believe that the SBDCs are providing quality management assistance to small businesses?

Yes, and this view was supported by the SBDC Economic Impact Study. We measure quality through our SBDC reviews conducted by field and central office personnel, and the SBDC's annual and quarterly reports. Presently, we are also involved in a comprehensive review of our current management information system. Our goal is to design a system which will more accurately reflect the breath and depth of assistance delivered by an SBDC. We are ex-

ploring the possibility of incorporating the SBDC clearinghouse function into the management information system. We are also working with representatives from the SBDCDA to design a survey form from which we can more directly measure a client's opinion of the quality of SBDC assistance.

7 and 8. SBA has at least six management assistance programs: SCORE/ACE, SBI, SBDC, MAOs, Chamber of Commerce Resource Centers and the junior college program. How do you envision each of these management assistance elements fitting into the Agency's mission of providing aid, counsel, and assistance to the nations small business community?

Each of our management assistance programs are essential to the Agency's mssion of providing aid, counsel, and assistance to the small business community. SCORE/ACE volunteers do on-site counseling, a service SBA district offices can no longer afford to do, due to staff reductions. These volunteers also play a key role in assisting SBA district Management Assistance personnel with walk-in clients. The SBI program offers multidiscipline, long term counseling. Undergraduate and graduate students, under the supervision of a professor do on-site consulting for a small business for a semester. Management Assistance Officers (MAOs) have evolved into resource managers due to staff reductions. MAOs play a vital role in coordinating and managing the various client assistance programs available within their geographic area. Chamber of Commerce Resource Centers offer referral services and SBA printed materials to small businesses. AACJC sponsors practical training programs which are made available for free or at a low cost through local community and junior colleges. These training programs are scheduled at times and at locations accessible to small businesspeople. In coordination with the other resources in their state, SBDCs offer management and technical assistance to small businesses. SBDCs rely heavily on the expertise of the academic community and focus on complex business problems.

9. Is there a need for Congress to be clear about the appropriate relationship between SBA and these management assistance programs?

We would appreciate any assistance the Congress can offer to strengthen the key role SBA Management Assistance field personnel play in coordinating and managing the activities of all SBA management assistance programs. The Management Assistance Officer in the SBA district office is critical in ensuring that the Agency is represented in the small business community. The Management Assistance Officer orchestrates the delivery of assistance and monitors its quality. It is a big job which is not easily accomplished. The Management Assistance Officer needs to be competent in developing new resources, and activley bringing these groups together to offer a coordinated program of management assistance to small businesses.

10. Is there an effort to coordinate the management delivery services offered through the 7(j) minority business development program?

The 7(j) Minority Business Development Program is administered by the Office of Minority Small Business and Capital Ownership Development. Consequently, this Program does not fall within the

Office of Management Assistance's purview. However, the Office of Management Assistance does provide extensive assistance to the minority community through both the Small Business Development Center and Small Business Institute Programs.

11. The Administration has proposed legislation (S. 1203) to provide SBA with authority to utilize for-profit organizations to provide training for the small business community. Why is this legislation necessary? How would the Agency manage the resources in conjunction with other management functions of the Agency?

This proposed legislation (S. 1203) would allow SBA to cooperte with profitmaking as well as nonprofit organizations to provide counseling, training and other varieties of management assistance to small businesses. Presently cooperation with for-profit organizations is not permitted by law. These profitmaking organizations are able to provide space, materials and expertise that is otherwise not available to the small businessperson through the Agency's present delivery process. We feel that this amendment would allow the SBA to more than triple its training capacity at no increased cost to the Government. As with our present co-sponsored training, this modification would be coordinated through the management assistance division at the local SBA district office.

12. To what extent is SBA coordinating its leveraging to its management assistance resources with the Commerce Department's Minority Business Development Agency's 100 minority business development centers?

The Department of Commerce and the Small Business Administration signed an Interagency Agreement on March 31, 1982. Among its provisions are two which directly relate to management assistance. (1) Upon request by SBA, in geographic areas where there are no SBA 8(a) small business assistance support programs, MBDA will provide management, technical and marketing assistance to 8(a) minority firms through MBDA-funded organizations on an as needed basis during their participation in the program. (2) MBDA will continue to assist socially and economically disadvantaged minority 8(a) firms after they have completed their participation in the 8(a) Business Development Program if they still need management, technical and marketing assistance business.

13. Do you believe that the SBDC is duplicating the services provided by other management programs in the Agency?

During the past year the SBDC program focused on nontraditional areas such as technology transfer, engineering, innovation and computer science. We feel this redirection has enabled the SBDC to respond more effectively to the specialized and complex needs of the small business community. The SBDC has continued to offer traditional training and counseling assistance to small businesses in locations not being serviced by our SBA district offices.

14. Do you believe that the Agency, and the SBDCs, would benefit from the imposition of any fee structure for SBDCs to provide counseling?

As we said during the hearing, the imposition of a fee structure may be something the Agency may want to consider in the future. If the Congress allows the imposition of a fee structure, the statute

should be revised to reflect this change so that the Agency is clear on the Congress' intent.

15. All of the SBDCs are now operational through a university-lead program. Has the Agency had the opportunity to review alternatives to the university approach to provide that counseling? Is the statute sufficiently broad to permit a variety of alternative delivery mechanisms to a university-based program if one were submitted?

The current legislation clearly states that organizations other than academic institutions may establish SBDCs. We are currently working with states which are proposing non-academic organizations as lead entities. we recommend that the legislation be revised to insure that consistency of service delivery be maintained through whatever organization is designated as the lead entity.

16. Your statement urges Congress to include language encouraging a greater utilization of volunteers by the SBDCs. Do you believe that the volunteer services, if used by the SBDC, would compete with SCORE, of the Chamber Resource Centers, or AACJC?

There may be some competition between the SBDC and SCORE volunteers, but we believe that the SBDCs should be more active in involving volunteers in their efforts. We are sensitive to the potential for competition with SCORE, and have consequently worked closely with our district offices to be responsive to potential problems.

17. Are you satisfied with the SBDC's management of the SBI program in those states where the cooperative agreement imposes that responsibility on the SBDC?

In certain instances we are not completely satisfied with the SBDC's management of the SBI Program. Consequently we are currently taking a closer look at this issue and expect to address this subject in more detail later this year.

18. Are you satisfied with the relationship between SCORE and the SBDC in those states (like Georgia and South Carolina) which have a clear written understanding of their respective roles?

We encourage the establishment of Memoranda of Understanding between the SBDC and its local SCORE chapters. However, we recognize that problems continue despite the existence of written agreements. We are continuing to work through our district offices to strengthen these relationships. Again, if the role of our field Management Assistance personnel is strengthened, we feel that the SBA will be in a better position to coordinate its resources.

19. Do you have any additional suggestions for changes to the statute that would enhance the ability of the SBDC program to meet its mission?

Yes, the comments below constitute our suggested changes to the statute.

Problem: P.L. 96–302 specifies "That no recipient or funds under this section shall receive a grant which would exceed its pro-rata share of a $65,000,000 program based upon the population to be served by the Small Business Development Center as compared to the total population of the United States, or $200,000, whichever is greater."

Comment: We have interpreted this section to mean that SBDC's should receive at *least* $200,000 in Federal funding. However, if our

interpretation is correct, this provision conflicts with the amount of funding available for certain states based on the population formula. Presently, the States of Vermont South Dakota, Wyoming, Delaware, and Alaska, would receive less than $200,000 based on their pro-rata share of a "$65,000,000 program. . . ."

Recommendation: The language in this section should be reworded to clearly specify congressional intent.

Problem: Section 21(c)(2) of the present legislation specifies that a Small Business Development Center shall have:

(B) Access to small business analysts to counsel, assist and inform small business clients.

Comment: SBA has interpreted the intent of this section to assure that SBDC's provide assistance to small businesses in the most cost effective and efficient manner, thereby utilizing less costly graduate student and volunteer resources where appropriate. Presently, a large number of SBDC's are assigning immediate staff and university faculty staff to counsel the majority of small business clients and are overlooking the availability of these lower-cost volunteer resources.

Recommendation: It is recommended that the term "business analyst" be more thoroughly defined and that the language of the law be broadened to provide for the utilization of volunteer and other low-cost resources where appropriate.

Comment: More emphasis should be placed on utilization of small. The mandate of the SBDC Program is to assist the small business community in ways that do not compete with the private sector.

Recommendation: Modify the existing legislation to require that a specific sum be set aside by each SBDC to pay for the use of private consultants. We suggest that an allocation of 20 percent of the pro-rata share based on the population to be served or $40,000, whichever is greater, be available to each state for assisting small businesses through the use of qualified small business vendors.

Problem: P.L. 96-302 presently requires the National Small Business Development Center Advisory Board to ". . . meet at least quarterly and at the call of the Chairman of the Board."

Comment: We believe that the requirement for four meetings a year is excessive and that the Small Business Development Center Advisory Board could provide valuable SBDC programmatic guidance through biannual meetings. The staff time required to arrange these meetings and provide the necessary administrative support only serves to diminish the contributions of the Board if required on a quarterly basis.

Recommendation: Delete the requirement that the SBDC National Advisory Board meet quarterly and substitute requirement that the Board must meet twice a year, or at the request of the Deputy Associate Administrator for Management Assistance/SBDC Program.

Problem: As presently written, P.L. 96-302 specifies that the Deputy Associate Administrator for Management Assistance/SBDC Program, shall confer with and seek the advice of the National Small Business Development Center Advisory Board regarding annual program budgets, individual SBDC funding levels, selection of applicants, etc.

Comment: We believe that these duties are the management responsibility of the Deputy Associate Administrator for the SBDC Program and do not lend themselves in any appropriate way to examination or commentary by SBDC National Advisory Board members.

Recommendation: Delete requirement that the "Deputy Associate Administrator for Management Assistance shall confer with and seek the advice and counsel of the Board in carrying out the responsibilities described in this subsection." Replace with following sentence:

"The Deputy Associate Administrator for Management Assistance will review National SBDC Advisory Board recommendations for improving SBDC Program operations, in accordance with the Board's duties and responsibilities as stated in the Charter of the National Small Business Development Center Advisory Board."

Comment: Funds are not presently earmarked to establish and maintain this function.

Problem: P.L. 96-302 presently states that "Each Small Business Development Center Advisory Board shall elect a chairman and advise, counsel, and confer with the director of the Small Business Development Center on all policy matters pertaining to the operation of the Small Business Development Center including who may be eligible to receive assistance from, and how local and regional private consultants may participate with the Small Business Development Center."

Comment: Experience has demonstrated that local SBDC Advisory Board responsibilities differ from state to state. Local advisory boards are most effective when the duties and responsibilities are based on a determination by the SBDC director.

Recommendation: Revise the language of this section to specify that the duties of the Advisory Board shall be established at the discretion of the statewide SBDC director.

20. Do you believe Congress, or the Agency needs to specify the type, size or nature of the clients that SBDCs should assist?

No, for the present, we would prefer to leave this decision up to each SBDC.

21. Are you satisfied with the statutory provision regarding the matching requirements for non-Federal funds? Do we need to clarify the extent to which "hard cash" and "in-kind" services can be utilized in meeting the match?

We recommend a revision of the statute to clarify the match requirement. The current language is not clear and has caused a great deal of misunderstanding. We recommend that following language, "That the additional amount shall consist of a minimum of 50 percent cash and the balance can be either direct or in-kind match. The match requirement may not consist of cash, indirect or in-kind monies applicable to any other Federal program.

22. Do you believe that multi-year congressional appropriations would enable SBA to more effectively contract with the SBDCs, or do you feel that this type of funding would be unnecessary?

For the present, we do not feel that multi-year congressional appropriations are necessary for this program. We believe that if the appropriation process was working properly, there would be adequate notice to plan more effectively in the SBDC program. We are

pleased that our differences with OMB are resolved and that OMB is willing to fund the program.

I hope there answers will be of assistance to you in preparing the new legislation. Please let me know if I can provide you with any further information.

Yours truly,

JAMES C. SANDERS,
Administrator.

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